

**CITY OF NEWAYGO, MICHIGAN**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF NEWAYGO</b>	County <b>NEWAYGO</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/21/04</b>	Date Accountant Report Submitted to State: <b>12/15/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>HOFFMAN, STEENSMA &amp; PLAMONDON, P.L.C.</b>			
Street Address <b>221 W. WEBSTER AVENUE, SUITE 502</b>		City <b>MUSKEGON</b>	State <b>MI</b>
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		ZIP <b>49440</b>	Date <b>12-15-04</b>

# **CITY OF NEWAYGO, MICHIGAN**

## **CONTENTS**

---

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>4 - 5</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6 - 13</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
<b>Statement of Net Assets</b>	<b>14 - 15</b>
<b>Statement of Activities</b>	<b>16</b>
<b>Fund Financial Statements</b>	
<b>Balance Sheet - Governmental Funds</b>	<b>17</b>
<b>Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities</b>	<b>18</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds</b>	<b>19</b>
<b>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</b>	<b>20</b>
<b>Statement of Fund Net Assets - Proprietary Funds</b>	<b>21</b>
<b>Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds</b>	<b>22</b>
<b>Statement of Cash Flows - Proprietary Funds</b>	<b>23 - 24</b>
<b>Statement of Fiduciary Assets and Liabilities - Fiduciary Funds</b>	<b>25</b>
<b>Statement of Net Assets - Discretely Presented Component Units</b>	<b>26</b>
<b>Statement of Activities - Discretely Presented Component Units</b>	<b>27</b>
<b>Balance Sheet - Discretely Presented Component Units</b>	<b>28</b>
<b>Reconciliation of Total Discretely Presented Component Unit Fund Balances to Net Assets of Discretely Presented Component Unit Activities</b>	<b>29</b>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances - Discretely Presented Component Units</b>	<b>30</b>
<b>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Discretely Presented Component Units to the Statement of Activities</b>	<b>31</b>
<b>Notes to the Financial Statements</b>	<b>32 - 55</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual</b>	
<b>General Fund</b>	<b>57 - 62</b>
<b>Major Streets Fund</b>	<b>63</b>
<b>Local Streets Fund</b>	<b>64</b>
<b>MSHDA Fund</b>	<b>65</b>

# CITY OF NEWAYGO, MICHIGAN

## CONTENTS - Continued

---

	<u>Page</u>
<b>SUPPLEMENTAL FINANCIAL INFORMATION</b>	
<b>Non-Major Governmental Funds</b>	
Description of Non-Major Governmental Funds	67
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
<b>Internal Service Funds</b>	
Description of Internal Service Funds	70
Combining Statement of Fund Net Assets	71
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	72
Combining Statement of Cash Flows	73
<b>Agency Funds</b>	
Description of Agency Funds	74
Combining Statement of Assets and Liabilities	75
Statement of Changes in Assets and Liabilities	76 - 77
<b>Discretely Presented Component Units</b>	
Description of Discretely Presented Component Units	78
Combining Balance Sheet - Tax Increment Finance Authority	79
Balance Sheet - Local Development Finance Authority - General Fund	80
Balance Sheet - Newaygo Carnegie Library - General Fund	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Tax Increment Finance Authority	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Local Development Finance Authority	83
Statement of Revenues, Expenditures and Changes in Fund Balances - Newaygo Carnegie Library	84 - 85
<b>Schedule of Indebtedness</b>	87 - 95

## **INDEPENDENT AUDITORS' REPORT**

**To the Honorable Mayor and Members of the  
City Council of the City of Newaygo, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newaygo, Michigan (the "city"), as of and for the year ended June 30, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Newaygo, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newaygo, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to financial statements, the City of Newaygo, Michigan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government Omnibus* and GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management's discussion and analysis and the required supplementary information on pages 6 - 13 and pages 57 - 65 respectively, are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Newaygo, Michigan's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2004, on our consideration of the City of Newaygo, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Hoffman, Steenema & Plamondon, P.C.*

September 21, 2004

# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis**

**Year Ended June 30, 2004**

Our discussion and analysis of the City of Newaygo's financial performance provides an overview of the city's financial activities for the year ended June 30, 2004. Please read it in conjunction with the city's financial statements, which begin on page 14.

The changes in the enclosed audit document have been mandated by the Governmental Accounting Standards Board (GASB) Statement 34. In the first year of implementation of this standard, GASB recognizes that prior year information is not available in a similar format. Therefore, government-wide comparisons will not be available until next year.

### **Financial Highlights**

- The city's net assets increased \$2,100,836 (or 23.04%) to 11,216,848. The governmental net assets increased by \$1,417,211 (or 32.46%) to \$5,782,671 and the business-type net assets increased by \$683,625 (or 14.39%) to \$5,434,177. The discretely presented component unit net assets increased by \$208,186 (or 7.98%) to a deficit of \$2,399,544. The component units have a negative net asset balance because these entities carry a significant amount of capital improvement debt but do not have assets to offset such debt. The assets purchased or constructed with the debt proceeds are presented as capital assets under governmental activities.
- Total expenses of all the city's programs were \$2,073,311. Expenses of governmental activities totaled \$1,254,193 and expenses of business-type activities totaled \$819,118. Expenses for component unit activities totaled \$1,584,112.
- Total revenues, including all program and general revenues, were \$4,174,147. Revenues of governmental activities totaled \$2,671,404 and the revenues of business-type activities amounted to \$1,502,743. Revenues for the component units totaled \$1,792,298. Program revenues consist of direct charges and grants and contributions that are directly attributable to specific programs or functions. General revenues are largely comprised of property taxes (including those captured by the component units), state revenue sharing and investment activity.
- The city received a federal grant of \$2,800,000 and federal loans of \$2,804,000 through the U.S. Department of Agriculture for improvements to the city's water supply and sewer disposal systems. As of June 30, 2004, \$745,600 of the grant had been spent, and \$2,352,000 of the loan had been drawn down.
- The city received a federal grant of \$1,016,558 through the Michigan Strategic Fund for revitalization of the city's downtown area. As of June 30, 2004, \$650,754 of this grant had been spent. The city special assessed the downtown businesses a total of \$375,000 to help cover project costs. In addition, the City of Newaygo Tax Increment Finance Authority (TIFA) pledged \$500,000 toward the project and made an initial contribution of \$230,000 during the fiscal year.
- The city received a grant of \$224,702 from the Michigan Department of Transportation (MDOT) for the beautification of the M-37 streetscape in the downtown area. As of June 30, 2004, \$81,500 of this grant had been spent.
- The city received a donation of \$10,000 from Resurrection Life Church for the police department.

# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

---

### **Using this Annual Report**

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual city operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- Proprietary fund statements offer short- and long-term financial information about activities the city operates like private businesses.
- Fiduciary fund statements provide information about the financial relationships in which the city acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

### **Reporting the City as a Whole**

Our analysis of the city as a whole begins on page 8. One of the most important questions asked about the city's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" Since this is the first year that the City of Newaygo is reporting its financial statements under the GASB 34 format, this question can not be entirely answered due to the fact that comparison data does not exist. However, the statement of net assets and the statement of activities report information about the city as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the city's net assets and changes in them. The reader can think of the city's net assets - the difference between assets and liabilities - as one way to measure the city's financial health or financial position. Over time, increases or decreases in the city's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the city's property tax base and the condition of the city's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the city.

In the statement of net assets and the statement of activities, the city is divided into two kinds of activities:

- Governmental activities - Most of the city's basic services are reported here, including public safety, general administration, parks and recreation and streets. Property taxes and state shared revenues finance most of these activities.
- Business-type activities - The city charges a fee to customers to help it cover all or most of the cost of certain services provided. The city's water supply and sewer disposal systems are reported here.



# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

---

### **Reporting the City as a Whole (continued)**

The statement of net assets and the statement of activities include not only the City of Newaygo itself (known as the primary government), but also component units. Component units are separate legal entities for which the city has some level of financial accountability. The city has three component units: Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and the Newaygo Carnegie Library. The TIFA and LDFA exist primarily for the issuance and repayment of debt to finance projects in specific areas of the city.

### **Reporting the City's Most Significant Funds**

Our analysis of the city's major funds begins on page 11. The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the city as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council has established several other funds to help it control and manage money for particular purposes. The city has the following kinds of funds:

- **Governmental funds** - Most of the city's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the city's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.
- **Proprietary funds** - When the city charges customers for the services it provides whether to outside customers or to other units of the city, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the city's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds, such as the city's Building Authority and Equipment Pool (the other component of proprietary funds) to report activities that provide supplies and services to the city's other programs and activities.
- **Fiduciary funds** - The city is the trustee, or fiduciary, for certain funds. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the city's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the city's government-wide financial statements because the city cannot use these assets to finance its operations.

### **The City as a Whole**

The city's combined net assets increased from a year ago, from \$9,116,012 to \$11,216,848. Our analysis focuses on the net assets and changes in net assets of the city's governmental and business-type activities.

# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

### The City as a Whole (continued)

Net assets as of June 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,774,971	\$ 849,319	\$ 2,624,290
Capital assets	5,655,844	8,089,416	13,745,260
<b>Total assets</b>	<b>\$ 7,430,815</b>	<b>\$ 8,938,735</b>	<b>\$ 16,369,550</b>
Long-term liabilities	\$ 1,163,120	\$ 2,821,894	\$ 3,985,014
Other liabilities	485,024	682,664	1,167,688
<b>Total liabilities</b>	<b>\$ 1,648,144</b>	<b>\$ 3,504,558</b>	<b>\$ 5,152,702</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 4,733,184	\$ 5,282,416	\$ 10,015,600
Restricted	452,249	-	452,249
Unrestricted	597,238	151,761	748,999
<b>Total net assets</b>	<b>\$ 5,782,671</b>	<b>\$ 5,434,177</b>	<b>\$ 11,216,848</b>

Net assets of the city's governmental activities are \$5,782,671. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements amounted to \$597,238. Restricted net assets, those restricted mainly for repayment of long-term debt, capital projects and special purposes such as street maintenance or construction amounted to \$452,249.

Net assets of our business-type activities were \$5,434,177.

# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis - Continued

Year Ended June 30, 2004

### The City as a Whole (continued)

Changes in net assets as of June 30, 2004, follows:

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 288,081	\$ 753,942	\$ 1,042,023
Operating grants and contributions	486,691	-	486,691
Capital grants and contributions	1,388,134	745,600	2,133,734
General revenues			
Property taxes	271,573	-	271,573
State shared revenues	172,348	-	172,348
Investment income	21,548	3,201	24,749
Franchise fees	5,567	-	5,567
Other	37,462	-	37,462
<b>Total revenues</b>	<b>2,671,404</b>	<b>1,502,743</b>	<b>4,174,147</b>
<b>Expenses</b>			
Governmental activities			
Legislative	10,931	-	10,931
General government	283,007	-	283,007
Public safety	337,816	-	337,816
Public works	241,827	-	241,827
Community and economic development	266,113	-	266,113
Recreation and culture	41,274	-	41,274
Other functions	42,519	-	42,519
Interest on long-term debt	30,706	-	30,706
Business-type activities			
Sewer	-	418,504	418,504
Water	-	400,614	400,614
<b>Total expenses</b>	<b>1,254,193</b>	<b>819,118</b>	<b>2,073,311</b>
<b>Changes in net assets</b>	<b>1,417,211</b>	<b>683,625</b>	<b>2,100,836</b>
<b>Net assets at beginning of year</b>	<b>4,365,460</b>	<b>4,750,552</b>	<b>9,116,012</b>
<b>Net assets at end of year</b>	<b>\$ 5,782,671</b>	<b>\$ 5,434,177</b>	<b>\$ 11,216,848</b>

# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

---

### **The City as a Whole (continued)**

Since this is the first year reporting under the GASB 34 format, there is no previous year data to compare to this year's figures. Therefore, important facts will be simply stated for both governmental and business-type activities.

#### **Governmental Activities**

The city decreased its property tax millage from 19.7350 mills in 2002 to 19.1698 mills in 2003. Despite this millage decrease, increased assessed value caused property tax revenues for governmental activities to increase by \$22,491.

State of Michigan ("state") shared revenues decreased by \$18,490 due to the current economic environment and budget shortfalls of the state.

#### **Business-Type Activities**

Total revenues from business-type activities were \$1,502,743. The majority of the revenue comes from charges for services (water and sewer billing) of \$753,942, and from a federal grant in the amount of \$745,600 from the U.S. Department of Agriculture for improvements to the city's water supply and sewer disposal systems.

### **Financial Analysis of the City's Funds**

At the end of fiscal year 2004, the governmental funds reported a combined fund balance of \$677,501 which is \$55,579 less than last year. The General Fund fund balance increased by \$31,970. The fund balances of the Major Streets Fund and the Local Streets Fund increased \$41,188 and \$9,906, respectively.

During the year, component units disbursed a total of \$135,000 to the city's general fund.

#### **General Fund Budgetary Highlights**

Over the course of the year, the City Council amended the city budget. The most significant of these amendments was \$6,200 for the hiring of an administrative assistant, \$5,900 for increases in utilities and office supply costs for the city offices, \$15,600 for additional wages and corresponding benefits for the police department and \$7,000 for additional costs in the city parks.

Despite these amendments, actual expenditures were \$30,726 below final budgeted amounts. There were no significant department level variances from budgeted amounts as savings were spread fairly evenly across all departments.

Revenues were \$5,619 greater than the final budgeted amounts. This was so even though state revenue sharing was \$37,652 under the final budgeted amount. Gains in other categories such as property taxes and charges for services helped make up for the deficiency in revenue sharing.

# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

---

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2004, the city had \$13,745,260 invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer lines. This amount includes a net increase (including additions and deductions) of \$4,450,847 or 47.89% over last year. The major capital asset addition was improvements to the water supply and sewer disposal systems in conjunction with the grant from the U.S. Department of Agriculture. These projects are ongoing and included in construction in progress as of June 30, 2004. Additional information on capital assets can be found in note C on pages 45 - 47 of the notes to the financial statements.

#### **Long-Term Debt**

At June 30, 2004 the city had \$3,985,014 in long-term debt outstanding. This is an increase of \$2,749,212 from last year. Most of the increase is attributable to federal loans in the amount of \$2,352,000 from the U.S. Department of Agriculture for improvements to the city's water supply and sewer disposal systems.

In addition to the city's long-term debt, component units had \$8,159,118 in outstanding debt. Most of this debt (\$6,056,118) is owed on the Magna Donnelly building currently owned by the TIFA. Debt issued by component units is typically secured by the full faith and credit of the city and therefore is an important consideration in assessing the city's overall fiscal health.

Additional information on long-term debt can be found in note G on pages 49 - 53 of the notes to the financial statements.

The State of Michigan statutory and constitutional debt provisions allow for debt limits of 10% of the city's assessed value. Accordingly, the city could have debt outstanding of \$5.32 million. The city is below statutory and constitutional debt limits with outstanding debt of \$3,985,014.

### **Economic Factors and Next Year's Budgets and Rates**

The city depends on four major sources of income to fund operations: local property taxes, state revenue sharing from sales taxes, state revenue sharing from road taxes (ACT 51) and charges for water supply and sewer disposal utilities. Clearly, discussion of the city's financial outlook must center on these major income sources.

#### **Local Property Taxes**

The 2004-2005 budget includes a lower millage rate that was levied for 2003-2004. In the tax year 2003, the millage rate levied was 19.1698 and in the tax year 2004 the millage rate levied will be 18.8500. This reduction in the city millage is due to an effort by the city council to decrease the tax burden and promote economic growth.

Another factor influencing property tax revenues is Proposal A. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because certain properties may increase in value by less than inflation, the result is that the city's tax base may grow less than inflation.

# **CITY OF NEWAYGO, MICHIGAN**

## **Management's Discussion and Analysis - Continued**

**Year Ended June 30, 2004**

---

### **Economic Factors and Next Year's Budgets and Rates (continued)**

#### **Local Property Taxes (continued)**

In addition, almost the entirety of the city is part of the TIFA district. This means that most of the tax revenue available to the general fund for city operations is capped at a certain amount. This has been true since the formation of the TIFA district back in 1985. However, a new transfer of land into the city through a PA 425 agreement will bring additional tax revenues into the city. The city is also looking at reducing the size of the TIFA district to further supplement local property tax revenues.

#### **State Revenue Sharing from Sales Tax**

State revenue sharing is based on state sales tax revenues which have been decreasing due to the economic downturn of recent years. The state is also in a budget crisis and has discussed using some of this revenue to balance the state budget. State sales tax revenues represent approximately 25% of total general fund revenues. Over the past four years, the amount of revenue sharing received by the city has decreased approximately 10% per year.

#### **State Revenue Sharing from Road Taxes (ACT 51)**

The state also returns to the city a share of gasoline tax revenues to help fund maintenance and construction of major and local streets. These revenues have not suffered to the extent that sales tax revenues have. Over the past four years, revenues for streets have increased fairly steadily. For the year ended June 30, 2004 major and local street revenues have increased by 11.9% and 7.2%, respectively.

#### **Water Supply and Sewer Disposal Utility Charges**

Other than local property taxes, combined water and sewer charges represent the city's largest income source. Charges to customers are based on the amount of metered services used times rates set by the city council. Utility rates were increased during the 2002-2003 fiscal year, largely due to requirements attached to funding received from the U.S. Department of Agriculture for water supply and sewer disposal system improvements. It is anticipated that rates will remain unchanged through the 2004-2005 fiscal year. However, the city continues to review its fee policies in order to equitably charge for water and sewer usage.

The city has begun to set aside contingency funds for future water and sewer infrastructures replacements. This will help to reduce or eliminate large bond issues for such improvements.

#### **Contacting the City's Financial Management**

This financial report is designated to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Office at 28 N. State Road, P.O. Box 308, Newaygo, Michigan 49337 or call (231) 652-1657.

# CITY OF NEWAYGO, MICHIGAN

## Statement of Net Assets

June 30, 2004

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (note A5 and B)	\$ 776,498	\$ 177,824	\$ 954,322
Investments (note A5 and B)	-	19,796	19,796
Receivables (note A6)			
Accounts	14,605	79,062	93,667
Mortgages (note D)	200,000	-	200,000
Special Assessments			
Current	44,465	-	44,465
Non-current	421,320	-	421,320
Internal balances	(33,608)	33,608	-
Due from other governmental units	302,346	399,200	701,546
Inventories (note A7)	-	6,812	6,812
Prepaid items (note A7)	33,784	-	33,784
Restricted assets (note A8 and B)			
Cash and cash equivalents	15,561	74,317	89,878
Investments	-	58,700	58,700
	1,774,971	849,319	2,624,290
Capital assets (note A9 and C)			
Land, construction in progress and other assets not being depreciated	273,261	3,726,453	3,999,714
Other capital assets, net of depreciation	5,382,583	4,362,963	9,745,546
Total capital assets	5,655,844	8,089,416	13,745,260
<b>TOTAL ASSETS</b>	<b>\$ 7,430,815</b>	<b>\$ 8,938,735</b>	<b>\$ 16,369,550</b>

The notes to the financial statements are an integral part of this statement.

---

Component Units	Total Reporting Entity
\$ 187,129	\$ 1,141,451
31,376	51,172
94	93,761
-	200,000
-	44,465
-	421,320
-	-
-	701,546
-	6,812
-	33,784
342,061	431,939
-	58,700
<u>560,660</u>	<u>3,184,950</u>

-	3,999,714
<u>5,333,557</u>	<u>15,079,103</u>
<u>5,333,557</u>	<u>19,078,817</u>
<u>\$ 5,894,217</u>	<u>\$ 22,263,767</u>



# CITY OF NEWAYGO, MICHIGAN

## Statement of Net Assets - Continued

June 30, 2004

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 475,074	\$ 623,364	\$ 1,098,438
Accrued liabilities	9,950	59,300	69,250
Due to other governmental units	-	-	-
Deferred revenue (note A3)	-	-	-
	485,024	682,664	1,167,688
<b>Long-term liabilities (note A10, A11 and G)</b>			
Due within one year			
Bonds payable	141,415	94,000	235,415
Compensated absences payable	20,230	7,447	27,677
Due in more than one year			
Bond payable	981,245	2,713,000	3,694,245
Compensated absences payable	20,230	7,447	27,677
<b>Total long-term liabilities</b>	<b>1,163,120</b>	<b>2,821,894</b>	<b>3,985,014</b>
<b>Total liabilities</b>	<b>1,648,144</b>	<b>3,504,558</b>	<b>5,152,702</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,733,184	5,282,416	10,015,600
Restricted for			
Streets and highways	146,604	-	146,604
Debt service	63,360	-	63,360
Capital projects	242,285	-	242,285
Unrestricted	597,238	151,761	748,999
<b>Total net assets</b>	<b>5,782,671</b>	<b>5,434,177</b>	<b>11,216,848</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,430,815</b>	<b>\$ 8,938,735</b>	<b>\$ 16,369,550</b>

The notes to the financial statements are an integral part of this statement.

---

Component Units	Total Reporting Entity
\$ 1,306	\$ 1,099,744
43,800	113,050
9,655	9,655
79,882	79,882
134,643	1,302,331

279,647	515,062
-	27,677

7,879,471	11,573,716
-	27,677

8,159,118	12,144,132
8,293,761	13,446,463

304,668	10,320,268
---------	------------

-	146,604
---	---------

342,061	405,421
---------	---------

-	242,285
---	---------

(3,046,273)	(2,297,274)
-------------	-------------

(2,399,544)	8,817,304
-------------	-----------

\$ 5,894,217	\$ 22,263,767
--------------	---------------

# CITY OF NEWAYGO, MICHIGAN

## Statement of Activities

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
<b>Primary government</b>				
<b>Governmental activities</b>				
Legislative	\$ 10,931	\$ -	\$ -	\$ -
General government	283,007	224,051	-	38,160
Public safety	337,816	21,810	41,814	12,720
Public works	241,827	42,220	186,202	1,337,254
Community and economic development	266,113	-	258,675	-
Recreation and culture	41,274	-	-	-
Other functions	42,519	-	-	-
Interest on long-term debt	30,706	-	-	-
<b>Total governmental activities</b>	<b>1,254,193</b>	<b>288,081</b>	<b>486,691</b>	<b>1,388,134</b>
<b>Business-type activities</b>				
Sewer	418,504	353,585	-	745,600
Water	400,614	400,357	-	-
<b>Total business-type activities</b>	<b>819,118</b>	<b>753,942</b>	<b>-</b>	<b>745,600</b>
<b>Total primary government</b>	<b>\$ 2,073,311</b>	<b>\$ 1,042,023</b>	<b>\$ 486,691</b>	<b>\$ 2,133,734</b>
<b>Component units</b>				
Tax Increment Finance Authority	\$ 1,315,718	\$ -	\$ -	\$ -
Local Development Finance Authority	70,520	-	-	-
Newaygo Carnegie Library	197,874	53,072	132,791	-
<b>Total component units</b>	<b>1,584,112</b>	<b>53,072</b>	<b>132,791</b>	<b>-</b>
<b>Total reporting entity</b>	<b>\$ 3,657,423</b>	<b>\$ 1,095,095</b>	<b>\$ 619,482</b>	<b>\$ 2,133,734</b>

### General revenues

Property taxes, levied for general purposes

State shared revenues

Investment income

Franchise fees

Other

**Total general revenues**

Change in net assets

**Net assets at beginning of year**

**Net assets at end of year**

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business- Type Activities	Total	Component Units	Total Reporting Entity
\$ (10,931)	\$ -	\$ (10,931)	\$ -	\$ (10,931)
(20,796)	-	(20,796)	-	(20,796)
(261,472)	-	(261,472)	-	(261,472)
1,323,849	-	1,323,849	-	1,323,849
(7,438)	-	(7,438)	-	(7,438)
(41,274)	-	(41,274)	-	(41,274)
(42,519)	-	(42,519)	-	(42,519)
(30,706)	-	(30,706)	-	(30,706)
908,713	-	908,713	-	908,713
-	680,681	680,681	-	680,681
-	(257)	(257)	-	(257)
-	680,424	680,424	-	680,424
908,713	680,424	1,589,137	-	1,589,137
-	-	-	(1,315,718)	(1,315,718)
-	-	-	(70,520)	(70,520)
-	-	-	(12,011)	(12,011)
-	-	-	(1,398,249)	(1,398,249)
908,713	680,424	1,589,137	(1,398,249)	190,888
271,573	-	271,573	1,598,953	1,870,526
172,348	-	172,348	-	172,348
21,548	3,201	24,749	6,321	31,070
5,567	-	5,567	-	5,567
37,462	-	37,462	1,161	38,623
508,498	3,201	511,699	1,606,435	2,118,134
1,417,211	683,625	2,100,836	208,186	2,309,022
4,365,460	4,750,552	9,116,012	(2,607,730)	6,508,282
\$ 5,782,671	\$ 5,434,177	\$ 11,216,848	\$ (2,399,544)	\$ 8,817,304

# CITY OF NEWAYGO, MICHIGAN

## Governmental Funds

### Balance Sheet

June 30, 2004

ASSETS	General	Major Streets	Local Streets
Cash and cash equivalents (note A5 and B)	\$ 66,550	\$ 100,760	\$ 16,022
Receivables (note A6)			
Accounts	14,605	-	-
Special assessments	-	-	-
Due from other funds (note E)	46,407	-	-
Due from other governmental units	61,488	22,092	7,754
Prepaid items (note A7)	33,784	-	-
Restricted cash and cash equivalents (note A8 and B)	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 222,834</b>	<b>\$ 122,852</b>	<b>\$ 23,776</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 5,332	\$ 24	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b>5,332</b>	<b>24</b>	<b>-</b>
Fund balances (note A12)			
Reserved for prepaid items	33,784	-	-
Unreserved			
Undesignated, reported in			
General fund	183,718	-	-
Special revenue funds	-	122,828	23,776
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>217,502</b>	<b>122,828</b>	<b>23,776</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 222,834</b>	<b>\$ 122,852</b>	<b>\$ 23,776</b>

The notes to the financial statements are an integral part of this statement.

MSHDA	CDBG Debt Service	CDBG	Other Governmental Funds	Total Governmental Funds
\$ 7,938	\$ 4,280	\$ 197,662	\$ 336,879	\$ 730,091
-	-	-	-	14,605
-	353,247	-	112,538	465,785
-	-	-	-	46,407
-	-	129,512	81,500	302,346
-	-	-	-	33,784
-	-	-	15,561	15,561
<b>\$ 7,938</b>	<b>\$ 357,527</b>	<b>\$ 327,174</b>	<b>\$ 546,478</b>	<b>\$ 1,608,579</b>
<b>\$ 7,744</b>	<b>\$ -</b>	<b>\$ 327,174</b>	<b>\$ 134,043</b>	<b>\$ 474,317</b>
-	349,999	-	106,762	456,761
<b>7,744</b>	<b>349,999</b>	<b>327,174</b>	<b>240,805</b>	<b>931,078</b>
-	-	-	-	33,784
-	-	-	-	183,718
194	-	-	-	146,798
-	7,528	-	63,582	71,110
-	-	-	242,091	242,091
<b>194</b>	<b>7,528</b>	<b>-</b>	<b>305,673</b>	<b>677,501</b>
<b>\$ 7,938</b>	<b>\$ 357,527</b>	<b>\$ 327,174</b>	<b>\$ 546,478</b>	<b>\$ 1,608,579</b>

# **CITY OF NEWAYGO, MICHIGAN**

## **Reconciliation of Total Governmental Fund Balances to**

### **Net Assets of Governmental Activities**

**June 30, 2004**

---

Total governmental fund balances	\$	677,501
----------------------------------	----	---------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$	6,904,108	
Accumulated depreciation		<u>(1,693,678)</u>	5,210,430

Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.

	456,761
--	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(963,000)	
Offsetting receivable for MSHDA mortgages	200,000	
Accrued interest on the bonds	(7,750)	
Compensated absences	<u>(40,460)</u>	(811,210)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds that are reported with governmental activities.

249,189
---------

---

Net assets of governmental activities	\$	<u>5,782,671</u>
---------------------------------------	----	------------------

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	General	Major Streets	Local Streets
<b>Revenues</b>			
Property taxes	\$ 248,726	\$ -	\$ -
Licenses and permits	11,662	-	-
Federal grants	23,421	-	-
State revenues	172,910	132,003	53,880
Local grants and contributions	17,830	-	-
Charges for services	114,262	5,963	5,668
Special assessments	-	-	-
Fines and penalties	15,226	-	-
Interest and rents	71,449	305	16
Other	34,633	-	-
<b>Total revenues</b>	<b>710,119</b>	<b>138,271</b>	<b>59,564</b>
<b>Expenditures</b>			
Current			
Legislative	10,931	-	-
General government	258,612	-	-
Public safety	329,108	-	-
Public works	130,109	87,083	59,658
Community and economic development	-	-	-
Recreation and culture	46,444	-	-
Other functions	35,233	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>810,437</b>	<b>87,083</b>	<b>59,658</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(100,318)</b>	<b>51,188</b>	<b>(94)</b>
<b>Other financing sources (uses)</b>			
Loan proceeds	-	-	-
Transfers in	-	-	10,000
Transfers in - component units	135,000	-	-
Transfers out	(2,712)	(10,000)	-
<b>Total other financing sources (uses)</b>	<b>132,288</b>	<b>(10,000)</b>	<b>10,000</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>31,970</b>	<b>41,188</b>	<b>9,906</b>
<b>Fund balances at beginning of year</b>	<b>185,532</b>	<b>81,640</b>	<b>13,870</b>
<b>Fund balances at end of year</b>	<b>\$ 217,502</b>	<b>\$ 122,828</b>	<b>\$ 23,776</b>

The notes to the financial statements are an integral part of this statement.



MSHDA	CDBG Debt Service	CDBG	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 248,726
-	-	-	-	11,662
200,767	-	650,755	81,500	956,443
-	-	-	-	358,793
57,907	-	-	-	75,737
-	-	-	-	125,893
-	25,000	-	5,776	30,776
-	-	-	-	15,226
-	3,752	1,891	8,909	86,322
-	-	13,001	-	47,634
258,674	28,752	665,647	96,185	1,957,212
-	-	-	-	10,931
-	-	-	-	258,612
-	-	-	-	329,108
-	-	-	-	276,850
265,890	-	-	-	265,890
-	-	-	-	46,444
-	-	-	7,286	42,519
-	-	1,270,647	162,502	1,433,149
-	15,000	-	104,000	119,000
-	6,224	-	14,944	21,168
265,890	21,224	1,270,647	288,732	2,803,671
(7,216)	7,528	(605,000)	(192,547)	(846,459)
-	-	375,000	-	375,000
-	-	-	2,712	12,712
-	-	230,000	50,880	415,880
-	-	-	-	(12,712)
-	-	605,000	53,592	790,880
(7,216)	7,528	-	(138,955)	(55,579)
7,410	-	-	444,628	733,080
\$ 194	\$ 7,528	\$ -	\$ 305,673	\$ 677,501

# **CITY OF NEWAYGO, MICHIGAN**

## **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004**

---

Net change in fund balances - total governmental funds	\$	(55,579)
--	----	----------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is depreciated over  
their estimated useful lives.

Expenditures for capital assets	\$	1,605,946	
Current year depreciation		<u>(249,332)</u>	1,356,614

Governmental funds recognize special assessments as revenue  
as they become current, however they are recognized in full  
when levied in the statement of net assets

	344,220
--	---------

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net assets. Also, governmental funds  
report the effect of issuance costs, premiums, discounts and similar items  
when debt is first issued, whereas these amounts are deferred and amortized  
in the statement of activities.

Bonds issued	(375,000)	
Principal payments	119,000	
Change in accrued interest	(1,850)	
Change in long-term compensated absences	<u>(5,650)</u>	(263,500)

Internal service funds are used by management to charge the costs of certain  
activities to individual funds. The net change of the internal service funds  
is reported with governmental activities.

	35,456
--	--------

---

Change in net assets of governmental activities	\$	1,417,211
---	----	-----------

---

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Proprietary Funds

### Statement of Fund Net Assets

June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash				
equivalents (note A5 and B)	\$ -	\$ 177,824	\$ 177,824	\$ -
Investments (note A5 and B)	19,796	-	19,796	-
Accounts receivable	36,654	42,408	79,062	-
Due from other funds (note E)	-	37,558	37,558	-
Due from other governmental units	399,200	-	399,200	-
Inventories (note A7)	3,888	2,924	6,812	-
<b>Total current assets</b>	<b>459,538</b>	<b>260,714</b>	<b>720,252</b>	<b>-</b>
<b>Noncurrent assets</b>				
Restricted cash and				
cash equivalents (note A8 and B)	15,000	59,317	74,317	-
Restricted investments				
(note A8 and B)	50,200	8,500	58,700	-
Capital assets (note A9 and C)				
Land, construction in progress				
and other assets not being				
depreciated	2,536,977	1,189,476	3,726,453	-
Other capital assets,				
net of depreciation	2,106,663	2,256,300	4,362,963	445,414
<b>Total capital assets</b>	<b>4,643,640</b>	<b>3,445,776</b>	<b>8,089,416</b>	<b>445,414</b>
<b>Total noncurrent assets</b>	<b>4,708,840</b>	<b>3,513,593</b>	<b>8,222,433</b>	<b>445,414</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,168,378</b>	<b>\$ 3,774,307</b>	<b>\$ 8,942,685</b>	<b>\$ 445,414</b>

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Current maturities of				
long-term debt	\$ 46,000	\$ 48,000	\$ 94,000	\$ 53,000
Accounts payable	474,334	149,030	623,364	757
Accrued liabilities	25,700	33,600	59,300	2,200
Due to other funds	3,950	-	3,950	33,608
Compensated absences (note A10)	7,447	7,447	14,894	-
<b>Total current liabilities</b>	<b>557,431</b>	<b>238,077</b>	<b>795,508</b>	<b>89,565</b>
<b>Noncurrent liabilities</b>				
Long-term debt, less current				
maturities (note A11 and G)	1,333,000	1,380,000	2,713,000	106,660
<b>Total liabilities</b>	<b>1,890,431</b>	<b>1,618,077</b>	<b>3,508,508</b>	<b>196,225</b>
<b>Net assets</b>				
Invested in capital assets,				
net of related debt	3,264,640	2,017,776	5,282,416	285,754
Unrestricted	13,307	138,454	151,761	(36,565)
<b>Total net assets</b>	<b>3,277,947</b>	<b>2,156,230</b>	<b>5,434,177</b>	<b>249,189</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,168,378</b>	<b>\$ 3,774,307</b>	<b>\$ 8,942,685</b>	<b>\$ 445,414</b>

# CITY OF NEWAYGO, MICHIGAN

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
<b>Operating revenues</b>				
Charges for services	\$ 342,505	\$ 374,851	\$ 717,356	\$ -
Fines and penalties	-	7,998	7,998	-
Connection fees	9,999	12,700	22,699	-
Rental income	-	-	-	191,908
Other	1,081	4,808	5,889	-
<b>Total operating revenues</b>	<b>353,585</b>	<b>400,357</b>	<b>753,942</b>	<b>191,908</b>
<b>Operating expenses</b>				
Operations	171,523	159,822	331,345	84,288
Administration	99,724	105,295	205,019	450
Depreciation	106,705	70,283	176,988	64,026
<b>Total operating expenses</b>	<b>377,952</b>	<b>335,400</b>	<b>713,352</b>	<b>148,764</b>
<b>Operating income (loss)</b>	<b>(24,367)</b>	<b>64,957</b>	<b>40,590</b>	<b>43,144</b>
<b>Nonoperating revenues (expenses)</b>				
Federal grants	745,600	-	745,600	-
Interest income	2,091	1,110	3,201	-
Interest expense	(40,552)	(65,214)	(105,766)	(7,688)
<b>Total nonoperating revenues (expenses)</b>	<b>707,139</b>	<b>(64,104)</b>	<b>643,035</b>	<b>(7,688)</b>
<b>Net income</b>	<b>682,772</b>	<b>853</b>	<b>683,625</b>	<b>35,456</b>
<b>Net assets at beginning of year</b>	<b>2,595,175</b>	<b>2,155,377</b>	<b>4,750,552</b>	<b>213,733</b>
<b>Net assets at end of year</b>	<b>\$ 3,277,947</b>	<b>\$ 2,156,230</b>	<b>\$ 5,434,177</b>	<b>\$ 249,189</b>

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Proprietary Funds

### Statement of Cash Flows

Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 351,801	\$ 398,843	\$ 750,644	-
Receipts from interfund services provided	-	-	-	191,908
Payments to suppliers	(135,024)	(93,639)	(228,663)	(71,985)
Payments to employees	(152,700)	(150,091)	(302,791)	(11,996)
Payments for internal services used	(28,015)	(58,278)	(86,293)	(23,428)
<b>Net cash provided by operating activities</b>	<b>36,062</b>	<b>96,835</b>	<b>132,897</b>	<b>84,499</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from federal grants	346,400	-	346,400	-
Purchase of capital assets	(1,616,301)	(1,027,760)	(2,644,061)	(75,973)
Proceeds from new long-term debt	1,304,000	1,048,000	2,352,000	91,245
Principal paid on long-term debt	(35,000)	(35,000)	(70,000)	(85,683)
Interest paid on long-term debt	(14,852)	(31,614)	(46,466)	(14,088)
<b>Net cash used for capital and related financing activities</b>	<b>(15,753)</b>	<b>(46,374)</b>	<b>(62,127)</b>	<b>(84,499)</b>
<b>Cash flows from investing activities</b>				
Interest income	2,091	1,110	3,201	-
Increase in investments	(7,400)	(8,500)	(15,900)	-
<b>Net cash used for investing activities</b>	<b>(5,309)</b>	<b>(7,390)</b>	<b>(12,699)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,000</b>	<b>43,071</b>	<b>58,071</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>-</b>	<b>194,070</b>	<b>194,070</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 15,000</b>	<b>\$ 237,141</b>	<b>\$ 252,141</b>	<b>-</b>
<b>Reconciliation of cash and cash equivalents to the balance sheet</b>				
Cash and cash equivalents	\$ -	\$ 177,824	\$ 177,824	-
Restricted cash and cash equivalents	15,000	59,317	74,317	-
	<b>\$ 15,000</b>	<b>\$ 237,141</b>	<b>\$ 252,141</b>	<b>-</b>

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Proprietary Funds

### Statement of Cash Flows - Continued

Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
Reconciliation of operating income (loss)				
net cash provided by operating activities				
Operating income (loss)	\$ (24,367)	\$ 64,957	\$ 40,590	\$ 43,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	106,705	70,283	176,988	64,026
(Increase) decrease in				
Accounts receivable	(1,784)	(1,514)	(3,298)	-
Due from other funds	-	(37,558)	(37,558)	-
Increase (decrease) in				
Accounts payable	(42,065)	667	(41,398)	757
Due to other funds	(2,427)	-	(2,427)	(23,428)
Net cash provided by operating activities	\$ 36,062	\$ 96,835	\$ 132,897	\$ 84,499

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Fiduciary Funds

### Statement of Fiduciary Assets and Liabilities

June 30, 2004

		Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents (note A5 and B)	\$	106,851
Accounts receivable (note A6)		422
<b>TOTAL ASSETS</b>		
	\$	107,273
<b>LIABILITIES</b>		
Due to other funds (note E)	\$	46,407
Due to other governmental units		12,377
Other liabilities		48,489
<b>TOTAL LIABILITIES</b>		
	\$	107,273

The notes to the financial statements are an integral part of this statement.



# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Statement of Net Assets

June 30, 2004

	Tax Increment Finance Authority	Local Development Finance Authority	Newaygo Carnegie Library	Total
<b>ASSETS</b>				
Cash and cash equivalents (note A5 and B)	\$ 33,069	\$ 33,857	\$ 120,203	\$ 187,129
Investments (note A5 and B)	-	-	31,376	31,376
Accounts receivable (note A6)	-	-	94	94
Restricted cash and cash equivalents (note A8 and B)	342,061	-	-	342,061
	375,130	33,857	151,673	560,660
Capital assets, net of accumulated depreciation (note A9 and C)	5,028,889	-	304,668	5,333,557
<b>TOTAL ASSETS</b>	<b>\$ 5,404,019</b>	<b>\$ 33,857</b>	<b>\$ 456,341</b>	<b>\$ 5,894,217</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 1,306	\$ 1,306
Accrued liabilities	42,900	900	-	43,800
Due to other governmental units	9,655	-	-	9,655
Deferred revenue	-	-	79,882	79,882
	52,555	900	81,188	134,643
Long-term liabilities (note A11 and G)				
Due in one year				
Bonds payable	259,647	20,000	-	279,647
Due in more than one year				
Bonds payable	7,836,471	43,000	-	7,879,471
Total long-term liabilities	8,096,118	63,000	-	8,159,118
Total liabilities	8,148,673	63,900	81,188	8,293,761
<b>Net assets</b>				
Invested in capital assets, net of related debt	-	-	304,668	304,668
Restricted for debt service	342,061	-	-	342,061
Unrestricted	(3,086,715)	(30,043)	70,485	(3,046,273)
Total net assets	(2,744,654)	(30,043)	375,153	(2,399,544)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,404,019</b>	<b>\$ 33,857</b>	<b>\$ 456,341</b>	<b>\$ 5,894,217</b>

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Statement of Activities

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Tax Increment Finance Authority</b>			
Public works	\$ 647,554	\$ -	\$ -
Community and economic development	246,333	-	-
Other functions	96,966	-	-
Distributions to other taxing authorities	73,021	-	-
Interest on long-term debt	251,844	-	-
<b>Total Tax Increment Finance Authority</b>	<b>1,315,718</b>	<b>-</b>	<b>-</b>
<b>Local Development Finance Authority</b>			
Other functions	50,000	-	-
Distributions to other taxing authorities	16,260	-	-
Interest on long-term debt	4,260	-	-
<b>Total Local Development Finance Authority</b>	<b>70,520</b>	<b>-</b>	<b>-</b>
<b>Newaygo Carnegie Library</b>			
Recreation and culture	197,874	53,072	132,791
<b>Total discretely presented component units</b>	<b>\$ 1,584,112</b>	<b>\$ 53,072</b>	<b>\$ 132,791</b>

#### General revenues

Property taxes

Investment income

Other

Transfers

**Total general revenues and transfers**

Change in net assets

**Net assets at beginning of year**

**Net assets at end of year**

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net				
Net Assets				
Tax	Local	Newaygo		
Increment	Development	Carnegie		
Finance	Finance	Library		
Authority	Authority		Total	
\$ (647,554)	\$ -	\$ -	\$ (647,554)	
(246,333)	-	-	(246,333)	
(96,966)	-	-	(96,966)	
(73,021)	-	-	(73,021)	
(251,844)	-	-	(251,844)	
(1,315,718)	-	-	(1,315,718)	
-	(50,000)	-	(50,000)	
-	(16,260)	-	(16,260)	
-	(4,260)	-	(4,260)	
-	(70,520)	-	(70,520)	
-	-	(12,011)	(12,011)	
(1,315,718)	(70,520)	(12,011)	(1,398,249)	
1,498,456	89,798	10,699	1,598,953	
4,379	236	1,706	6,321	
-	-	1,161	1,161	
(10,999)	(2,250)	13,249	-	
1,491,836	87,784	26,815	1,606,435	
176,118	17,264	14,804	208,186	
(2,920,772)	(47,307)	360,349	(2,607,730)	
\$ (2,744,654)	\$ (30,043)	\$ 375,153	\$ (2,399,544)	

# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Balance Sheet

June 30, 2004

	Tax Increment Finance Authority	Local Development Finance Authority	Newaygo Carnegie Library	Total
<b>ASSETS</b>				
Cash and cash equivalents (note A5 and B)	\$ 33,069	\$ 33,857	\$ 120,203	\$ 187,129
Investments (note A5 and B)	-	-	31,376	31,376
Accounts receivable	-	-	94	94
Restricted cash and cash equivalents (note A8 and B)	342,061	-	-	342,061
<b>TOTAL ASSETS</b>	<b>\$ 375,130</b>	<b>\$ 33,857</b>	<b>\$ 151,673</b>	<b>\$ 560,660</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 1,306	\$ 1,306
Due to other governmental units	9,655	-	-	9,655
Deferred revenue (note A3)	-	-	79,882	79,882
<b>Total liabilities</b>	<b>9,655</b>	<b>-</b>	<b>81,188</b>	<b>90,843</b>
<b>Fund balances (note A12)</b>				
Reserved for debt service	342,061	-	-	342,061
Reserved for capital projects	-	-	6,500	6,500
Unreserved, reported in				
General fund	23,414	33,857	63,985	121,256
<b>Total fund balances</b>	<b>365,475</b>	<b>33,857</b>	<b>70,485</b>	<b>469,817</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 375,130</b>	<b>\$ 33,857</b>	<b>\$ 151,673</b>	<b>\$ 560,660</b>

The notes to the financial statements are an integral part of this statement.

# **CITY OF NEWAYGO, MICHIGAN**

## **Discretely Presented Component Units**

### **Reconciliation of Total Discretely Presented Component Unit Fund Balances to**

#### **Net Assets of Discretely Presented Component Unit Activities**

**June 30, 2004**

---

Total discretely presented component unit fund balances	\$	469,817
Amounts reported for discretely presented component unit activities in the statement of net assets are different because:		
Capital assets used in discretely presented component unit activities are not resources and therefore are not reported in the discretely presented component unit funds.		
Discretely presented component unit capital assets	\$	8,014,599
Accumulated depreciation		<u>(2,681,042)</u> 5,333,557
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the discretely presented component unit funds.		
Discretely presented component unit bonds payable		(8,159,118)
Accrued interest on the bonds		<u>(43,800)</u> (8,202,918)
Net assets of discretely presented component unit activities	\$	<u>(2,399,544)</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	Tax Increment Finance Authority	Local Development Finance Authority	Newaygo Carnegie Library	Total
<b>Revenues</b>				
Property taxes	\$ 1,498,456	\$ 89,798	\$ 10,699	\$ 1,598,953
State revenues	-	-	8,524	8,524
Local grants and contributions	-	-	103,768	103,768
Charges for services	-	-	21,314	21,314
Fines and penalties	-	-	53,072	53,072
Interest	4,379	236	1,706	6,321
Other	-	-	345	345
<b>Total revenues</b>	<b>1,502,835</b>	<b>90,034</b>	<b>199,428</b>	<b>1,792,297</b>
<b>Expenditures</b>				
Current				
Public works	276,674	-	-	276,674
Community and economic development	3,000	-	-	3,000
Recreation and culture	-	-	161,831	161,831
Other functions	96,966	5,000	-	101,966
Distributions to other taxing authorities	73,021	16,260	-	89,281
Capital outlay	-	-	29,881	29,881
Debt service				
Principal	947,647	19,000	-	966,647
Interest and fiscal charges	255,044	4,560	-	259,604
<b>Total expenditures</b>	<b>1,652,352</b>	<b>44,820</b>	<b>191,712</b>	<b>1,888,884</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(149,517)</b>	<b>45,214</b>	<b>7,716</b>	<b>(96,587)</b>
<b>Other financing sources (uses)</b>				
Transfers in - component units	815,337	23,560	13,249	852,146
Transfers out - primary government	(370,880)	(45,000)	-	(415,880)
Transfers out - component units	(826,336)	(25,810)	-	(852,146)
<b>Total other financing sources (uses)</b>	<b>(381,879)</b>	<b>(47,250)</b>	<b>13,249</b>	<b>(415,880)</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(531,396)</b>	<b>(2,036)</b>	<b>20,965</b>	<b>(512,467)</b>
<b>Fund balances at beginning of year</b>	<b>896,871</b>	<b>35,893</b>	<b>49,520</b>	<b>982,284</b>
<b>Fund balances at end of year</b>	<b>\$ 365,475</b>	<b>\$ 33,857</b>	<b>\$ 70,485</b>	<b>\$ 469,817</b>

The notes to the financial statements are an integral part of this statement.

# **CITY OF NEWAYGO, MICHIGAN**

## **Discretely Presented Component Units**

### **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Discretely Presented Component Units to the Statement of Activities Year Ended June 30, 2004**

---

Net change in fund balances - total discretely presented component unit funds	\$	(512,467)
---	----	-----------

Amounts reported for discretely presented component unit activities  
in the statement of activities are different because:

Discretely presented component unit funds report capital outlays  
as expenditures. However, in the statement of activities, the cost of  
those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	29,881	
Current year depreciation		<u>(279,375)</u>	(249,494)

The issuance of long-term debt provides current financial resources  
to discretely presented component unit funds, while the repayment  
of the principal of long-term debt consumes the current financial  
resources of discretely presented component unit funds.

Neither transaction, however, has any effect on net assets. Also,  
discretely presented component unit report the effect of issuance  
costs, premiums, discounts and similar items when debt is first  
issued, whereas these amounts are deferred and amortized in the  
statement of activities.

Principal payments	966,647	
Change in accrued interest	<u>3,500</u>	970,147

---

Change in net assets of governmental activities	\$	208,186
---	----	---------

---

The notes to the financial statements are an integral part of this statement.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies**

The accounting policies of the City of Newaygo, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the city the option of electing to apply FASB pronouncements issued after November 30, 1989. The city has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the city are discussed below.

The city adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of July 1, 2003. Certain of the significant changes in GASB 34 include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the city's overall financial position and the results of operation.
- Government-wide financial statements prepared using full accrual accounting for all of the city's activities including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on major funds.

The city also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the city's funds as of and for the year ended June 30, 2004, but did change some of the disclosures required for the notes to the financial statements.

#### **1. Financial Reporting Entity**

The City of Newaygo, Michigan was incorporated in 1968. The city operates under a Council-Manager form of government and provides the following services as authorized by its charter: legislative, general government, public safety (police and fire), public works, culture and recreation, public improvement, zoning and general administration services. The accounting policies of the City of Newaygo, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities.

As required by GASB 14, the financial statements present the city (the primary government) and its component units, entities for which the city is considered to be financially accountable. The component units discussed below are included in the city's reporting entity because of their operational and financial relationship with the city.



# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **1. Financial Reporting Entity (continued)**

##### **Blended Component Unit**

Blended component units, although legally separate entities, are, in substance, part of the city operations and data from these units are combined with data from the primary government. The blended component unit has a June 30 year end.

##### **•City of Newaygo Building Authority**

The building authority is appointed by the city council and its activity is dependent on city council actions. The building authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the city's public buildings. The authority's activity is reported in the financial statements as an internal service fund.

##### **Discretely Presented Component Units**

The discretely presented component units column in the combined financial statements includes the financial data of the city's discretely presented component units. These units are reported in a separate column to emphasize that they are legally separate from the city. All discretely presented component units have a June 30 year end.

##### **•City of Newaygo Tax Increment Finance Authority (TIFA)**

The authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and construction of public facilities to promote and facilitate economic growth in the authority. Members of the TIFA are appointed by the city and the authority is fiscally dependent of the city since the council approves the TIFA budget and must approve any debt issuance. The TIFA is presented as a governmental fund type.

##### **•City of Newaygo Local Development Finance Authority (LDFA)**

The authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and construction of public facilities to promote and facilitate economic growth in the authority. Members of the LDFA are appointed by the city and the authority is fiscally dependent of the city since the council approves the LDFA budget and must approve any debt issuance. The LDFA is presented as a governmental fund type.

##### **•Newaygo Carnegie Library**

The library provides services to the citizens of the City of Newaygo and certain areas bordering the City of Newaygo. The city appoints one board member and provides financial support for the library through a property tax levy. The library is presented as a governmental fund type.

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note A - Summary of Significant Accounting Policies (continued)

#### 1. Financial Reporting Entity (continued)

##### Discretely Presented Component Units (continued)

Separate financial statements for the individual component units have not been issued.

##### Joint Venture

###### •Newaygo Fire District Command Board

The city is a member of Newaygo Fire District Command Board, which was organized to provide fire protection and rescue services to its member units. It is a joint venture of three governmental units governed by a board composed of representatives from each of the respective member units. The joint venture is financed through contributions made by the member units. The city makes its contribution by levying a fire protection assessment. The city does not report an equity interest in this joint venture in these financial statements because the city does not have an explicit and measurable right to the joint venture's resources. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the June 30, 2003, audit report of Newaygo Fire District Command Board follows:

<b>General Fund</b>		
Total assets	\$	169,219
Total liabilities		-
<b>Fund balance</b>	<b>\$</b>	<b>169,219</b>
<b>Revenues</b>		
	\$	143,390
<b>Expenditures</b>		328,587
<b>Revenues under expenditures</b>	<b>\$</b>	<b>(185,197)</b>
<b>General fixed assets account group</b>	<b>\$</b>	<b>769,159</b>

Complete financial statements for the Newaygo Fire District Command Board can be obtained from their administrative office at 177 Cooperative Drive, Newaygo, Michigan 49337.

#### 2. Basis of Accounting - Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the city as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **2. Basis of Accounting - Government-Wide Financial Statements (continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the city and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the city.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **3. Basis of Accounting - Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The city reports the following major funds:

##### **General Fund**

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

##### **Special Revenue Funds**

**Major Streets Fund** - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of major streets within the city.

**Local Streets Fund** - To account for gas and weight tax allocations to the city by the Michigan Department of Transportation for construction and maintenance of local streets within the city.

**MSHDA Fund** - To account for grants received from the Michigan State Housing Development Authority for the rehabilitation of residential housing and other qualifying expenditures.

##### **Debt Service Fund**

**CDBG Debt Service Fund** - To account for special assessment revenue from local residents for principal and interest payments on special assessment bonds issued in 2003.

##### **Capital Project Fund**

**CDBG Fund** - To account for grant revenues from the city's Community Development Block Grant passed through the Michigan Economic Development Corporation for the purposes of capital improvements within the city.

##### **Enterprise Funds**

**Sewer Fund** - To account for user charges, operating expenses and debt service of the city's sewer disposal system.

**Water Fund** - To account for user charges, operating expenses and debt service of the city's water supply system.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

The following is a description of the three major categories and various fund types within those categories into which the funds are grouped:

##### **Governmental Funds**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

##### **Revenue Recognition**

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year end. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

##### **Expenditure Recognition**

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the city:

##### **General Fund**

The general fund is the general operating fund of the city. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

##### **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

##### **Governmental Funds (continued)**

###### **Debt Service Funds**

Debt service funds are used to record the funding and payment of principal, interest and related expenses in connection with certain long-term debt other than debt payable from the operations of the proprietary funds.

###### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

##### **Proprietary Funds**

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and of the city's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the city:

###### **Enterprise Funds**

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

###### **Internal Service Funds**

Internal service funds are used to record the financing of goods or services provided by the city to other departments and funds or to other governmental units on a cost reimbursement basis.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

June 30, 2004

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **3. Basis of Accounting - Fund Financial Statements (continued)**

##### **Fiduciary Funds (Not Included in Government-Wide Financial Statements)**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs.

##### **Agency Funds**

Agency funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### **4. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The city follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the second Monday in March, the budget committee (consisting of the city manager and two councilmen) submits to the city council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at the city hall to obtain taxpayer comments.
- The budget is legally enacted by passage of an ordinance no later than the third Monday in May.
- The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the city council.
- Budgeted amounts are presented as originally adopted, or as amended by the city council before June 30, 2004. Individual amendments were not material in relation to the original appropriations which were amended.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budgetary control is exercised at the department level.
- Budgets as presented are prepared on the modified accrual basis of accounting.
- All budgetary appropriations lapse at the end of the year.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Principles (continued)**

#### **5. Deposits and Investments**

Statutes authorized the primary government and component units to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.

- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures no more than 270 days after the date of purchase.

- In United States government or federal agency obligation repurchase agreements.

- In banker's acceptances of United States banks.

- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The city maintains two cash pools. The first is used by the general fund and various other governmental funds. The second pool is used by the city's debt service funds. Each fund types' or component units' portion of the pools is reported in the combined balance sheet as 'cash and cash equivalents', 'investments', 'restricted cash and cash equivalents' and 'restricted investments'.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.



# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **6. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as enforceable liens on property as of July 1. Taxes are levied on July 1 and are payable from the date of levy through August 31 and are recognized as revenue when they are levied. The city bills and collects its own property taxes and also taxes for the county and the school district in the city. Collections of taxes and remittance of them to other taxing authorities are accounted for in the tax collection fund.

All trade receivables are shown as net of allowance for uncollectible amounts

The 2003 adjusted taxable value of the city totaled \$44,869,606 of which \$38,326,011 was captured by the TIFA and LDFA component units. The ad valorem taxes levied consisted of 19.1698 mills for the general operations of the city. In addition, the city levied .9834 mills for the Newaygo Carnegie Library component unit.

The 2003 state equalized valuation of the city was \$53,248,700.

#### **7. Inventories and Prepaid Items**

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### **8. Restricted Assets**

Certain assets of the city have been legally segregated for debt repayment in accordance with various bond ordinances.

#### **9. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note A - Summary of Significant Accounting Policies (continued)**

#### **9. Capital Assets and Depreciation (continued)**

	<u>Years</u>
Water and sewage systems	20 - 50
Buildings and improvements	10 - 35
Motor vehicles and equipment	4 - 20
Infrastructure	5 - 20

#### **10. Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The city follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee terminations as of year-end. Vested compensated absences in the proprietary funds are accrued in full.

#### **11. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **12. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose. Reserves exist for prepaid items as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note B - Cash, Cash Equivalents and Investments

#### Deposits

At year end, the carrying amount of the primary government and component units' deposits was \$467,377 and the bank balance was \$644,155. Of the bank balance, \$178,496 was covered by federal depository insurance and \$465,659 was uninsured and uncollateralized.

Deposits are categorized below according to level of credit risk:

•Category 1 represents insured or collateralized deposits with securities held by the entity or by its agent in the entity's name.

•Category 2 represents collateralized deposits with securities held by the pledging financial institution's trust department or agent in the entity's name.

•Category 3 represents uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the entity's name.

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Demand deposits	\$ 100,000	\$ -	\$ 434,070	\$ 534,070	\$ 357,505
Time deposits	78,496	-	31,589	110,085	109,872
	<u>\$ 178,496</u>	<u>\$ -</u>	<u>\$ 465,659</u>	<u>\$ 644,155</u>	<u>\$ 467,377</u>

#### Investments

Investments of the primary government and component units are categorized below to give an indication of the level of risk assumed by the entity at year end:

•Category 1 includes investments that are insured or registered, or for which the securities are held by the entity or by its agent in the entity's name.

•Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the entity's name.

•Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

	Carrying Amount
Investments not subject to categorization:	
Money market funds	\$ 1,276,329

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note B - Cash, Cash Equivalents and Investments (continued)

At June 30, 2004, one of the city's component units had \$10,000 invested in a certificate of deposit issued by Provident Bank. Provident Bank does not have a branch in the State of Michigan. Therefore, the investment in this certificate is not authorized by state statute. In September 2004, the investment was sold. There was no loss on disposal.

Total deposits and investments at June 30, 2004, were \$1,743,706 and are presented as follows:

<u>Balance Sheet Classification</u>	<u>Total</u>
<b>Governmental Funds Balance Sheet</b>	
Cash and cash equivalents	\$ 730,091
Restricted cash and cash equivalents	15,561
<b>Statement of Fund Net Assets - Proprietary Funds</b>	
<b>Enterprise funds</b>	
Cash and cash equivalents	177,824
Investments	19,796
Restricted cash and cash equivalents	74,317
Restricted investments	58,700
<b>Statement of Fiduciary Net Assets - Fiduciary Funds</b>	
Cash and cash equivalents	106,851
<b>Statement of Net Assets - Discretely Presented Component Units</b>	
Cash and cash equivalents	187,129
Investments	31,376
Restricted cash and cash equivalents	342,061
	<u>\$ 1,743,706</u>

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note C - Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental activities</b>				
Capital assets being depreciated				
Land improvements	\$ 135,171	\$ -	\$ -	\$ 135,171
Buildings and improvements	1,442,969	-	-	1,442,969
Office furniture and equipment	70,035	-	-	70,035
Vehicles and equipment	521,646	75,973	-	597,619
Infrastructure	3,922,867	153,381	-	4,076,248
Shared capital improvements	-	1,270,647	-	1,270,647
<b>Total capital assets being depreciated</b>	<b>6,092,688</b>	<b>1,500,001</b>	<b>-</b>	<b>7,592,689</b>
Less accumulated depreciation				
Land improvements	15,829	6,759	-	22,588
Buildings and improvements	281,073	40,149	-	321,222
Office furniture and equipment	62,025	8,010	-	70,035
Vehicles and equipment	312,590	57,689	-	370,279
Infrastructure	1,225,230	200,752	-	1,425,982
<b>Total accumulated depreciation</b>	<b>1,896,747</b>	<b>313,359</b>	<b>-</b>	<b>2,210,106</b>
<b>Net capital assets being depreciated</b>	<b>4,195,941</b>	<b>1,186,642</b>	<b>-</b>	<b>5,382,583</b>
Capital assets not being depreciated				
Land	91,342	-	-	91,342
Construction in progress	-	181,919	-	181,919
<b>Total capital assets not being depreciated</b>	<b>91,342</b>	<b>181,919</b>	<b>-</b>	<b>273,261</b>
<b>Total governmental activities capital assets net of depreciation</b>	<b>\$ 4,287,283</b>	<b>\$ 1,368,561</b>	<b>\$ -</b>	<b>\$ 5,655,844</b>

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note C - Capital Assets (continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Business-type activities</b>				
Capital assets being depreciated				
Sewer system	\$ 3,448,470	\$ -	\$ -	\$ 3,448,470
Water system	3,309,883	-	-	3,309,883
Equipment	73,376	-	-	73,376
<b>Total capital assets being depreciated</b>	<b>6,831,729</b>	<b>-</b>	<b>-</b>	<b>6,831,729</b>
Less accumulated depreciation				
Sewer system	1,268,131	104,944	-	1,373,075
Water system	983,298	70,283	-	1,053,581
Equipment	40,349	1,761	-	42,110
<b>Total accumulated depreciation</b>	<b>2,291,778</b>	<b>176,988</b>	<b>-</b>	<b>2,468,766</b>
<b>Net capital assets being depreciated</b>	<b>4,539,951</b>	<b>(176,988)</b>	<b>-</b>	<b>4,362,963</b>
Capital assets not being depreciated				
Land	429,500	-	-	429,500
Construction in progress	37,679	3,259,274	-	3,296,953
<b>Total capital assets not being depreciated</b>	<b>467,179</b>	<b>3,259,274</b>	<b>-</b>	<b>3,726,453</b>
<b>Total business-type activities capital assets net of depreciation</b>	<b>\$ 5,007,130</b>	<b>\$ 3,082,286</b>	<b>\$ -</b>	<b>\$ 8,089,416</b>
<b>Component units</b>				
Capital assets being depreciated				
Buildings	\$ 7,316,258	\$ -	\$ -	\$ 7,316,258
Books and periodicals	604,053	29,881	-	633,934
Equipment and furniture	64,407	-	-	64,407
<b>Total capital assets being depreciated</b>	<b>7,984,718</b>	<b>29,881</b>	<b>-</b>	<b>8,014,599</b>
Less accumulated depreciation				
Buildings	2,029,986	243,758	-	2,273,744
Books and periodicals	320,703	27,396	-	348,099
Equipment and furniture	50,978	8,221	-	59,199
<b>Total accumulated depreciation</b>	<b>2,401,667</b>	<b>279,375</b>	<b>-</b>	<b>2,681,042</b>
<b>Total component unit capital assets, net of depreciation</b>	<b>\$ 5,583,051</b>	<b>\$ (249,494)</b>	<b>\$ -</b>	<b>\$ 5,333,557</b>

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note C - Capital Assets (continued)

Depreciation was charged to programs of the city as follows:

Governmental activities		
General government	\$	29,697
Public safety		13,750
Public works		205,885
Internal service fund depreciation is charged to the various programs based on their usage of the assets		
		64,027
Total governmental activities depreciation expense	\$	313,359
Business-type activities		
Sewer	\$	106,705
Water		70,283
Total business-type activities depreciation expense	\$	176,988
Discretely presented component units		
Tax Increment Finance Authority		
Community and economic development	\$	243,333
Newaygo Carnegie Library		
Recreation and culture		36,042
Total discretely presented component unit depreciation expense	\$	279,375

### Construction Commitments

As of June 30, 2004, the city had approved bids associated with the rural development sewer and water improvements of \$3,187,006 and \$1,181,792, respectively. Construction costs of \$1,495,542 and \$995,580, respectively have been incurred on these bids by June 30, 2004, with \$1,077,027 and \$885,688 of those expenditures actually paid.

### Note D - Mortgages Receivable

The mortgages receivable of \$200,000 are second mortgages to individuals under the Michigan State Housing Development Authority Home Community Development Block Grant Housing program for rental rehabilitation. The mortgage notes are non-interest bearing. In the event the property is sold or any interest in the property is transferred, or a breach of grant conditions occurs within the first 5 years, the mortgagor shall pay the principal amount of the second mortgage. If the property is not sold or transferred for a period of 5 years and all provisions of the mortgage note are complied with, the mortgage note is canceled.

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note E - Interfund Receivables and Payables

The amounts of interfund receivables and payables at June 30, 2004, were as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 46,407	Tax Collection	\$ 46,407
Water	37,558	Equipment Pool	33,608
		Sewer	3,950
	37,558		37,558
Total	\$ 83,965	Total	\$ 83,965

Property taxes are collected in a central tax collection fund from where they are distributed to the various taxing jurisdictions - including the city and its component units. Amounts owed the city at June 30, 2004 are shown as interfund payables/receivables. Other interfund payables/receivables consist of temporary loans to cover cash shortfalls in a given fund.

### Note F - Interfund Transfers

Interfund transfers consisted of the following at June 30, 2004:

Fund	Transfers In	Fund	Transfers Out
Primary Government		Primary Government	
Fremont St. Special Assessment	\$ 2,712	General	\$ 2,712
Local Streets	10,000	Major Streets	10,000
	12,712		12,712
Primary Government		Component Units	
General	135,000	Tax Increment Finance Authority	370,880
Office Debt	50,880	Local Development Finance Authority	45,000
CDBG	230,000		
	415,880		415,880
Component Units		Component Units	
Newaygo Carnegie Library	13,249	Tax Increment Finance Authority	826,336
Tax Increment Finance Authority - Debt Service	815,337	Local Development Finance Authority	25,810
Local Development Finance Authority - Debt Service	23,560		
	852,146		852,146
Total Reporting Entity	\$ 1,280,738	Total Reporting Entity	\$ 1,280,738



# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note F - Interfund Transfers (continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### Note G - Long-Term Debt

Long-term debt at June 30, 2004, consisted of the following:

#### Governmental Activities

Note payable; due in monthly installments of \$602 including interest at 8.80% through December 2004.

\$ 3,512

Note payable; due in an installment of \$36,942 including interest at 5.70% on October 2004.

34,903

\$160,000 - 1990 Building Authority Bonds; due in annual installments of \$15,000 through January 2006; interest at 6.90% to 7.00%.

30,000

\$91,245 - 2004 Equipment installment note; due in annual installments of \$15,118 including interest at 3.85% through August 2011.

91,245

\$69,000 - 1998 Special Assessment Bonds; due in annual installments of \$7,000 through April 2008; interest at 5.00%.

28,000

\$265,000 - 1993 Special Assessment Bonds; due in annual installments of \$13,000 to \$14,000 through August 2013; interest at 5.50% to 5.70%.

135,000

\$480,000 - Non-interest bearing note payable; due in annual installments of \$48,000, plus a 1.00% fee through June 2009.

240,000

\$375,000 - 2003 Special Assessment Bonds; due in annual installments of \$20,000 to \$35,000 through April 2018; interest at 3.60%.

360,000

Notes payable to Michigan State Housing Development Authority; due upon sale or breach of mortgage on or before five years subsequent to note date; non-interest bearing.

200,000

Total bonds and loans payable

1,122,660

Long-term compensated absences

40,460

Total governmental activities long-term liabilities

\$ 1,163,120

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note G - Long-Term Debt (continued)

#### Business-Type Activities

\$385,000 - 1990 General Obligation Sewer Bonds; due in annual installments of \$35,000 to \$40,000 through January 2006; interest at 6.90% to 7.00%.	\$ 75,000
\$285,000 - 1989 Ambac Insured Bonds; due in annual installments of \$10,000 to \$15,000 through November 2013; interest at 7.50% to 7.55%.	125,000
\$425,000 - 1992 Water Supply System Revenue Bonds; due in annual installments of \$20,000 to \$35,000 through September 2012; interest at 6.20% to 6.40%.	255,000
\$1,304,000 - 2003 Sanitary Sewer System Revenue Bonds; due in annual installments of \$11,000 to \$73,000 through August 2043; interest at 4.25%.	1,304,000
\$1,048,000 - 2003 Water System Revenue Bonds; due in annual installments of \$13,000 to \$58,000 through August 2043; interest at 4.25%.	1,048,000
Total bonds and loans payable	2,807,000

Long-term compensated absences	14,894
Total business-type activities long-term liabilities	\$ 2,821,894

Total primary government long-term liabilities	\$ 3,985,014
--	--------------

#### Discretely Presented Component Units

\$190,000 - 1990 Tax Increment Limited Obligation Bonds; due in annual installments of \$19,000 to \$21,000 through August 2005; interest at 7.10%.	\$ 40,000
\$200,000 - 1992 Tax Increment Limited Obligation Bonds, Series A; due in annual installments of \$15,000 to \$20,000 through September 2007; interest at 5.80% to 6.00%.	70,000
\$495,000 - 1992 Tax Increment Limited Obligation Bonds, Series B; due in annual installments of \$25,000 to \$45,000 through September 2012; interest at 6.00% to 6.30%.	305,000

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

---

### Note G - Long-Term Debt (continued)

#### Discretely Presented Component Units (continued)

\$950,000 - 1994 Tax Increment Limited Obligation Bonds, Series B; due in annual installments of \$45,000 to \$80,000 through October 2014; interest at 5.75% to 6.50%.	\$ 650,000
\$7,300,000 - 1994 Tax Increment Limited Obligation Bonds, Series A; due in annual installments of \$90,647 to \$453,234 through March 2025; interest at varying rates determined by formula, currently 2.10%.	6,056,118
\$175,000 - 1996 Tax Increment Limited Obligation Bonds; due in annual installments of \$20,000 to \$22,000 through October 2006; interest at 5.80% to 6.00%.	63,000
\$850,000 - 1994 Tax Increment Limited Obligation Bonds, Series C; due in annual installments of \$40,000 to \$70,000 through October 2014; interest at 6.90% to 7.40%.	585,000
\$520,000 - 1994 Tax Increment Limited Obligation Bonds, Series D; due in annual installments of \$25,000 to \$50,000 through October 2014; interest at 7.20% to 7.625%.	390,000
<b>Total discretely presented component unit long-term liabilities</b>	<b>\$ 8,159,118</b>
<b>Total reporting entity long-term liabilities</b>	<b>\$ 12,144,132</b>

# CITY OF NEWAYGO, MICHIGAN

## Notes to the Financial Statements - Continued

June 30, 2004

### Note G - Long-Term Debt (continued)

The annual requirements to amortize all bonds and loans outstanding as of June 30, 2004, including interest of \$5,811,624 follows:

Years ending June 30,	Governmental Activities		Business-Type Activities		Discretely Presented Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 141,415	\$ 29,124	\$ 94,000	\$ 147,041	\$ 279,647	\$ 228,520
2006	114,605	26,264	106,000	140,846	296,733	249,468
2007	100,052	22,498	67,000	135,626	317,402	234,578
2008	300,516	19,763	63,000	131,946	311,766	219,826
2009	98,998	17,006	75,000	128,035	323,880	205,421
2010 - 2014	242,074	50,121	355,000	576,675	2,058,510	777,484
2015 - 2019	125,000	11,520	215,000	509,042	2,098,546	394,372
2020 - 2024	-	-	271,000	457,663	2,266,170	164,447
2025 - 2029	-	-	342,000	392,783	206,464	4,336
2030 - 2034	-	-	432,000	310,887	-	-
2035 - 2039	-	-	464,000	190,485	-	-
2040 - 2044	-	-	323,000	35,847	-	-
	\$ 1,122,660	\$ 176,296	\$ 2,807,000	\$ 3,156,876	\$ 8,159,118	\$ 2,478,452

The following is a summary of bonds and loans and compensated absences transactions for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Repayments	Balance June 30, 2004
<b>Primary government</b>				
Governmental bonds and loans	\$ 661,098	\$ 666,245	\$ (204,683)	\$ 1,122,660
Business-type bonds and loans	525,000	2,352,000	(70,000)	2,807,000
Long-term compensated absences	49,704	5,650	-	55,354
<b>Total primary government</b>	<b>1,235,802</b>	<b>3,023,895</b>	<b>(274,683)</b>	<b>3,985,014</b>
<b>Discretely presented component unit bonds and loans</b>	<b>9,125,765</b>	<b>-</b>	<b>(966,647)</b>	<b>8,159,118</b>
<b>Total reporting entity</b>	<b>\$ 10,361,567</b>	<b>\$ 3,023,895</b>	<b>\$ (1,241,330)</b>	<b>\$ 12,144,132</b>

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note G - Long-Term Debt (continued)**

There are a number of limitations and restrictions contained in the various bond indentures. The city is in substantial compliance with all significant limitations and restrictions.

The special assessment bonds and the first three component unit limited obligation bonds are backed by the full faith and credit of the city.

The \$7,300,000 1994 Tax Increment limited Obligation Bonds, Series A, which are held by the City of Newaygo Tax Increment Finance Authority, are guaranteed by Donnelly Corporation. If captured tax increment revenue associated with Donnelly Corporation's facility is insufficient to meet the bond's current payment requirements, Donnelly Corporation will cover any shortfalls. If Donnelly Corporation covers any shortfalls due to insufficient captured tax increment revenue, the component unit will repay to Donnelly Corporation any captured tax increment revenue in excess of current bond payment requirements in future years until Donnelly Corporation is reimbursed in full for all costs associated with its guarantee.

The notes payable to MSHDA, in the total amount of \$200,000, are Department of Housing and Urban Development Community Development Block Grant funds passed through the Michigan State Housing Development Authority. The non-interest bearing notes are due and payable upon the sale of the secured real property, or breach of grant imposed conditions within 5 years from the date of the note. After the 5 year period, if no sale or breach of conditions has occurred, the note is completely forgiven. The note is secured by certain real property.

### **Note H - Defined Contribution Pension Plan**

The city maintains two defined contribution retirement plans administered by the ICMA Retirement Corporation (ICMA). The Full-Time Employees Governmental Money Purchase Plan covers full-time hourly employees. The Salaried Employees Governmental Money Purchase Plan covers full-time salaried employees.

#### **Full-Time Employees Governmental Money Purchase Plan**

The Full-Time Employees Plan covers all full-time hourly employees who have attained the age of 18, completed 90 days of service and are not covered by a collective bargaining agreement. The plan requires participants to contribute 2% of their wages to the plan. The city is required to contribute 8% of the participant's wages. The city has elected to pay the participant's contribution. The city's contribution fiscal year 2004 was \$27,090 and the employees' contribution was \$7,894. The city's contributions for each employee (and earnings allocated to the employee's account) are 20 percent vested for each year of service. Any forfeitures are reallocated to participants with the regular contribution. Plan provisions and contribution requirements are established by and may be amended by the City Council.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note H - Defined Contribution Pension Plan (continued)**

#### **Salaried Employees Governmental Money Purchase Plan**

The Salaried Employees Plan covers all full-time salaried employees who have attained the age of 18 and are not covered by a collective bargaining agreement. The plan requires participants to contribute 2% of their salary to the plan. The city is required to contribute 8% of the participant's salary. The city has elected to pay the participant's contribution. The city's contribution fiscal year 2004 was \$18,850 and the employees' contribution was \$4,712. The city's contributions for each employee (and earnings allocated to the employee's account) are immediately vested. Any forfeitures are reallocated to participants with the regular contribution. Plan provisions and contribution requirements are established by and may be amended by the City Council.

### **Note I - Contingent Liabilities**

The city is party to various legal proceedings and claims which normally occur in governmental operations. Although the outcome of these legal proceedings and claims is not presently determinable, it is the opinion of the city's management that the resolution of these matters will not have a material adverse effect on the financial condition of the city.

### **Note J - Lease**

The \$7,300,000 1994 Tax Increment Limited Obligation Bonds were issued to construct a manufacturing facility for Donnelly Corporation. All captured tax increment revenues associated with this facility are to be used to repay the bonds issued to construct the facility. The Tax Increment Finance Authority retains ownership of the facility and leases the facility for \$1 per year to Donnelly Corporation for thirty years or until the bonds associated with its construction are retired. Donnelly Corporation is responsible for all operating and maintenance costs. Donnelly Corporation has an option to purchase the facility, upon retirement of the bond issue, for \$1.

# **CITY OF NEWAYGO, MICHIGAN**

## **Notes to the Financial Statements - Continued**

**June 30, 2004**

---

### **Note K - Risk Management**

The city is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The city manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The city pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The city manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The city pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The city carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note L - State Construction Code Act**

P.A. 245 of 1999, section 22(1) of the State Construction Code Act, requires fees generated by enforcing agencies or construction board of appeals be intended to bear a reasonable relationship to the actual cost of performing those services.

The city neither collects fees nor incurs costs for activities that fall under P.A. 245 of 1999, section 22(1) of the State Construction Code Act.

### **Note M - Concentrations**

The city's general fund property tax revenue growth is limited due to the TIFA and LDFA, which capture property tax value increases. The general fund's property tax value captured by the TIFA and LDFA is in excess of 70 percent of the city's property tax value base. Property tax revenues represent approximately 35 percent of the general fund revenues.

### **Note N - Subsequent Year Information**

On July 1, 2004, the city entered into an installment purchase agreement in the amount of \$166,949 for the purchase of various pieces of equipment. The stated interest rate for the agreement is 3.85% and the final maturity date is August 31, 2011. The note is secured by certain pieces of equipment.

**REQUIRED SUPPLEMENTARY INFORMATION**



# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
Property taxes				
Current property taxes	\$ 236,400	\$ 236,400	\$ 248,164	\$ 11,764
Penalties and interest	3,000	3,000	562	(2,438)
<b>Total property taxes</b>	<b>239,400</b>	<b>239,400</b>	<b>248,726</b>	<b>9,326</b>
Licenses and permits				
Franchise fees	8,000	8,000	5,567	(2,433)
Other licenses and permits	4,100	4,100	6,095	1,995
<b>Total licenses and permits</b>	<b>12,100</b>	<b>12,100</b>	<b>11,662</b>	<b>(438)</b>
Federal grants	25,000	25,000	23,421	(1,579)
State revenues				
State grants	1,100	1,100	562	(538)
State shared revenues	210,000	210,000	172,348	(37,652)
<b>Total state revenues</b>	<b>211,100</b>	<b>211,100</b>	<b>172,910</b>	<b>(38,190)</b>
Local grants and contributions	9,000	9,000	17,830	8,830
Charges for services				
Property tax administrative fee	15,000	15,000	17,635	2,635
Administrative fees	77,500	77,500	77,818	318
Other charges for services	11,600	11,600	18,809	7,209
<b>Total charges for services</b>	<b>104,100</b>	<b>104,100</b>	<b>114,262</b>	<b>10,162</b>
Fines and penalties	12,000	12,000	15,226	3,226
Interest and rents				
Interest	3,700	3,700	6,994	3,294
Rentals	64,400	64,400	64,455	55
<b>Total interest and rents</b>	<b>68,100</b>	<b>68,100</b>	<b>71,449</b>	<b>3,349</b>
Other				
Reimbursements and refunds	5,500	5,500	4,491	(1,009)
Cemetery lot sales	14,000	14,000	8,850	(5,150)
Other	4,200	4,200	21,292	17,092
<b>Total other</b>	<b>23,700</b>	<b>23,700</b>	<b>34,633</b>	<b>10,933</b>
<b>Total revenues</b>	<b>704,500</b>	<b>704,500</b>	<b>710,119</b>	<b>5,619</b>

# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures</b>				
<b>Current</b>				
<b>Legislative</b>				
City Council				
Salaries	\$ 1,400	\$ 1,400	\$ 1,195	\$ 205
Fringe benefits	108	108	91	17
Professional services	5,000	2,300	2,341	(41)
Communications	2,000	1,700	1,612	88
Community promotion	2,000	2,000	1,770	230
Publishing	2,000	2,000	2,769	(769)
Other services and charges	1,000	1,200	1,103	97
Transportation/training	500	500	50	450
<b>Total legislative</b>	<b>14,008</b>	<b>11,208</b>	<b>10,931</b>	<b>277</b>
<b>General government</b>				
City manager				
Salaries	28,903	28,903	29,345	(442)
Fringe benefits	12,327	12,327	9,618	2,709
Communications	500	500	111	389
Transportation and training	3,000	1,800	916	884
Other services and charges	2,500	2,500	921	1,579
Equipment rental	4,500	4,500	4,500	-
<b>Total city manager</b>	<b>51,730</b>	<b>50,530</b>	<b>45,411</b>	<b>5,119</b>
<b>Election board</b>				
Salaries and wages	1,000	1,000	534	466
Supplies	-	-	426	(426)
Transportation and training	300	300	8	292
Publishing	500	500	260	240
Other services and charges	350	350	880	(530)
<b>Total election board</b>	<b>2,150</b>	<b>2,150</b>	<b>2,108</b>	<b>42</b>
<b>Assessor</b>				
Contracted services	15,000	15,000	15,000	-
Other services and charges	500	530	530	-
<b>Total assessor</b>	<b>15,500</b>	<b>15,530</b>	<b>15,530</b>	<b>-</b>

# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>General government (continued)</b>				
<b>City clerk</b>				
Salaries and wages	\$ 16,169	\$ 18,969	\$ 18,257	\$ 712
Fringe benefits	6,895	10,195	9,473	722
Communications	200	300	250	50
Transportation and training	1,500	1,500	1,245	255
Publishing	300	300	242	58
Equipment rental	3,700	3,700	3,700	-
Other services and charges	1,000	1,000	260	740
<b>Total city clerk</b>	<b>29,764</b>	<b>35,964</b>	<b>33,427</b>	<b>2,537</b>
<b>Treasurer *</b>				
Salaries and wages	20,297	20,297	20,624	(327)
Fringe benefits	8,655	7,155	5,996	1,159
Communications	250	250	325	(75)
Transportation and training	1,500	500	28	472
Publishing	150	150	-	150
Equipment rental	3,625	3,625	3,624	1
Contracted services	2,500	2,500	2,425	75
Other services and charges	500	500	716	(216)
<b>Total treasurer</b>	<b>37,477</b>	<b>34,977</b>	<b>33,738</b>	<b>1,239</b>
<b>Board of review</b>				
Salaries and wages	900	900	900	-
Publishing	200	215	211	4
<b>Total board of review</b>	<b>1,100</b>	<b>1,115</b>	<b>1,111</b>	<b>4</b>
<b>City offices</b>				
Salaries and wages	12,134	12,734	12,359	375
Fringe benefits	5,173	8,173	8,013	160
Supplies	13,730	13,630	11,851	1,779
Equipment rental	3,000	3,000	3,000	-
Other services and charges	1,000	3,500	3,444	56
Contracted services	11,100	8,600	8,707	(107)
Utilities	13,300	15,700	15,865	(165)
Repairs and maintenance	1,000	1,000	1,198	(198)
<b>Total city offices</b>	<b>60,437</b>	<b>66,337</b>	<b>64,437</b>	<b>1,900</b>

# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures (continued)				
Current (continued)				
General government (continued)				
Cemetery				
Salaries and wages	\$ 11,749	\$ 11,749	\$ 11,594	\$ 155
Fringe benefits	5,010	5,010	4,436	574
Supplies	3,060	3,060	2,368	692
Utilities	400	400	399	1
Repairs and maintenance	6,300	6,300	3,441	2,859
Other services and charges	-	-	200	(200)
Contracted services	1,000	1,000	708	292
Equipment rental	11,000	11,000	14,865	(3,865)
Total cemetery	38,519	38,519	38,011	508
Attorney	25,000	28,000	24,839	3,161
Total general government	261,677	273,122	258,612	14,510
Public safety				
Law enforcement				
Salaries and wages	187,469	199,769	195,629	4,140
Crossing guards	10,000	14,000	13,038	962
Fringe benefits	74,848	74,148	62,731	11,417
Supplies	9,850	9,850	9,529	321
Communications	200	200	169	31
Transportation and training	3,100	3,100	1,079	2,021
Publishing	300	300	133	167
Telephone	3,840	3,840	3,682	158
Repairs and maintenance	300	300	276	24
Equipment rental	26,000	26,000	26,000	-
Building rental	2,000	2,000	2,000	-
Other services and charges	800	800	10,119	(9,319)
Uniforms	5,000	5,000	1,988	3,012
Total law enforcement	323,707	339,307	326,373	12,934

# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Public safety (continued)</b>				
<b>Planning</b>				
Professional services	\$ 2,000	\$ 2,000	\$ 2,188	\$ (188)
Communications	100	100	-	100
Transportation and training	500	500	18	482
Publishing	200	200	529	(329)
<b>Total planning</b>	<b>2,800</b>	<b>2,800</b>	<b>2,735</b>	<b>65</b>
<b>Total public safety</b>	<b>326,507</b>	<b>342,107</b>	<b>329,108</b>	<b>12,999</b>
<b>Public works</b>				
Salaries and wages	29,145	26,945	27,300	(355)
Fringe benefits	14,535	11,535	10,590	945
Supplies	4,000	3,200	1,488	1,712
Transportation and training	-	-	16	(16)
Telephone	1,000	1,000	1,439	(439)
Utilities	4,200	4,200	6,009	(1,809)
Equipment rental	19,000	13,000	9,444	3,556
Building rental	34,132	34,132	33,049	1,083
Repairs and maintenance	6,000	6,000	4,501	1,499
Other services and charges	1,500	1,500	2,931	(1,431)
Uniforms	4,500	4,500	4,579	(79)
Street lighting	24,000	25,000	28,763	(3,763)
<b>Total public works</b>	<b>142,012</b>	<b>131,012</b>	<b>130,109</b>	<b>903</b>
<b>Recreation and culture</b>				
<b>Parks</b>				
Salaries and wages	15,117	15,117	14,223	894
Fringe benefits	5,397	5,397	4,682	715
Supplies	2,000	2,000	844	1,156
Utilities	2,300	2,300	3,426	(1,126)
Equipment rental	5,000	8,000	10,589	(2,589)
Building rental	3,000	3,000	3,000	-
Repairs and maintenance	4,000	4,000	2,603	1,397
Other services and charges	2,500	6,500	7,077	(577)
Contracted services	400	400	-	400
<b>Total recreation and culture</b>	<b>39,714</b>	<b>46,714</b>	<b>46,444</b>	<b>270</b>

# CITY OF NEWAYGO, MICHIGAN

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances -

#### Budget and Actual - Continued

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Other governmental functions</b>				
<b>Insurance and bonds</b>	\$ 38,000	\$ 37,000	\$ 35,233	\$ 1,767
<b>Total expenditures</b>	<b>821,918</b>	<b>841,163</b>	<b>810,437</b>	<b>30,726</b>
 <b>Deficiency of revenues     under expenditures</b>	 (117,418)	 (136,663)	 (100,318)	 36,345
 <b>Other financing sources (uses)</b>				
<b>Transfers in - component units</b>	135,000	135,000	135,000	-
<b>Transfers out</b>	(4,000)	(4,000)	(2,712)	1,288
<b>Total other financing sources</b>	<b>131,000</b>	<b>131,000</b>	<b>132,288</b>	<b>1,288</b>
 <b>Excess (deficiency) of revenues and     other sources over expenditures     and other uses</b>	 13,582	 (5,663)	 31,970	 37,633
 <b>Fund balances at beginning of year</b>	 185,532	 185,532	 185,532	 -
 <b>Fund balances at end of year</b>	 \$ 199,114	 \$ 179,869	 \$ 217,502	 \$ 37,633

# CITY OF NEWAYGO, MICHIGAN

## Major Streets Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
State revenues				
Gas and weight tax distributions	\$ 116,000	\$ 116,000	\$ 132,003	\$ 16,003
Charges for services	-	-	5,963	5,963
Interest	500	500	305	(195)
<b>Total revenues</b>	<b>116,500</b>	<b>116,500</b>	<b>138,271</b>	<b>21,771</b>
<b>Expenditures</b>				
Current				
Public works				
Highways and streets				
Administration	10,500	10,500	10,500	-
Routine maintenance	45,044	58,544	43,964	14,580
Winter maintenance	36,785	26,785	22,266	4,519
Traffic service	12,310	12,310	10,353	1,957
<b>Total expenditures</b>	<b>104,639</b>	<b>108,139</b>	<b>87,083</b>	<b>21,056</b>
<b>Excess of revenues over expenditures</b>	<b>11,861</b>	<b>8,361</b>	<b>51,188</b>	<b>42,827</b>
<b>Other financing uses</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
<b>Excess (deficiency) of revenues over expenditures and other uses</b>	<b>1,861</b>	<b>(1,639)</b>	<b>41,188</b>	<b>42,827</b>
<b>Fund balances at beginning of year</b>	<b>81,640</b>	<b>81,640</b>	<b>81,640</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 83,501</b>	<b>\$ 80,001</b>	<b>\$ 122,828</b>	<b>\$ 42,827</b>

# CITY OF NEWAYGO, MICHIGAN

## Local Streets Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
State revenues				
Gas and weight tax distributions	\$ 51,000	\$ 51,000	\$ 46,334	\$ (4,666)
Metro Act	-	-	7,546	7,546
Total state revenues	51,000	51,000	53,880	2,880
Charges for services	-	-	5,668	5,668
Interest	100	100	16	(84)
<b>Total revenues</b>	<b>51,100</b>	<b>51,100</b>	<b>59,564</b>	<b>8,464</b>
<b>Expenditures</b>				
Current				
Public works				
Highways and streets				
Administration	3,000	3,000	3,000	-
Routine maintenance	27,512	38,012	36,119	1,893
Winter maintenance	24,535	20,035	18,958	1,077
Traffic service	5,627	2,027	1,581	446
Total expenditures	60,674	63,074	59,658	3,416
Deficiency of revenues under expenditures	(9,574)	(11,974)	(94)	11,880
<b>Other financing sources</b>				
Transfers in	10,000	10,000	10,000	-
Excess (deficiency) of revenues and other sources over expenditures	426	(1,974)	9,906	11,880
<b>Fund balances at beginning of year</b>	<b>13,870</b>	<b>13,870</b>	<b>13,870</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 14,296</b>	<b>\$ 11,896</b>	<b>\$ 23,776</b>	<b>11,880</b>



# CITY OF NEWAYGO, MICHIGAN

## MSHDA Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues</b>				
Federal grants	\$ 236,000	\$ 244,000	\$ 200,767	\$ (43,233)
Other	-	66,667	57,907	(8,760)
<b>Total revenues</b>	<b>236,000</b>	<b>310,667</b>	<b>258,674</b>	<b>(51,993)</b>
<b>Expenditures</b>				
Current				
Community and economic development	236,000	302,667	265,890	36,777
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>8,000</b>	<b>(7,216)</b>	<b>(15,216)</b>
<b>Fund balances at beginning of year</b>	<b>7,410</b>	<b>7,410</b>	<b>7,410</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 7,410</b>	<b>\$ 15,410</b>	<b>\$ 194</b>	<b>(15,216)</b>

**SUPPLEMENTAL FINANCIAL INFORMATION**

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **DEBT SERVICE FUNDS**

Debt service funds are used to record the funding and payment of principal, interest and related costs on general long-term debt.

**Mason Drive Special Assessment Fund** - To account for the accumulation of resources and the payment of principal and interest on the 1993 Special Assessment Bonds.

**Barton/Division Special Assessment Fund** - To account for the accumulation of resources and the payment of principal and interest on the 1998 Special Assessment Bonds.

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

**M-DOT Enhancement Fund** - To account for the Michigan Department of Transportation grant awarded to the city. The grant is for streetscape improvements along State Street (M-37).

**Riverfront Park Development Fund** - To account for improvements to Riverfront Park.

# CITY OF NEWAYGO, MICHIGAN

## Non-Major Governmental Funds

### Combining Balance Sheet

June 30, 2004

	Debt Service Funds	
	Mason Drive Special Assessment	Barton\ Division Special Assessment
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,560	\$ 2,685
Special assessments receivable	88,555	23,983
Due from other governmental units	-	-
Restricted cash and cash equivalents	15,561	-
<b>TOTAL ASSETS</b>	<b>\$ 143,676</b>	<b>\$ 26,668</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Deferred revenue	88,555	18,207
<b>Total liabilities</b>	<b>88,555</b>	<b>18,207</b>
<b>Fund balances</b>		
Undesignated		
Unreserved	55,121	8,461
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 143,676</b>	<b>\$ 26,668</b>

**Capital Projects Funds**

MDOT		Riverfront Park	
Enhancement		Development	Total
\$ 228,472	\$	66,162	\$ 336,879
-		-	112,538
81,500		-	81,500
-		-	15,561
<hr/>			
\$ 309,972	\$	66,162	\$ 546,478

\$ 133,748	\$	295	\$ 134,043
-		-	106,762
133,748		295	240,805

176,224		65,867	305,673
<hr/>			
\$ 309,972	\$	66,162	\$ 546,478

# CITY OF NEWAYGO, MICHIGAN

## Non-Major Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2004

	Debt Service Funds			
	Mason Drive Special Assessment	Fremont Street Special Assessment	Barton\ Division Special Assessment	City Hall
<b>Revenues</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	5,776	-
Interest	6,735	140	1,761	-
<b>Total revenues</b>	<b>6,735</b>	<b>140</b>	<b>7,537</b>	<b>-</b>
<b>Expenditures</b>				
Current				
Other governmental functions	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	13,000	36,000	7,000	48,000
Interest and fiscal charges	8,214	1,800	2,050	2,880
<b>Total expenditures</b>	<b>21,214</b>	<b>37,800</b>	<b>9,050</b>	<b>50,880</b>
<b>Deficiency of revenues under expenditures</b>	<b>(14,479)</b>	<b>(37,660)</b>	<b>(1,513)</b>	<b>(50,880)</b>
<b>Other financing sources</b>				
Transfers in	-	2,712	-	-
Transfers in - component units	-	-	-	50,880
<b>Total other financing sources</b>	<b>-</b>	<b>2,712</b>	<b>-</b>	<b>50,880</b>
<b>Deficiency of revenues and other sources under expenditures</b>	<b>(14,479)</b>	<b>(34,948)</b>	<b>(1,513)</b>	<b>-</b>
<b>Fund balances at beginning of year</b>	<b>69,600</b>	<b>34,948</b>	<b>9,974</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 55,121</b>	<b>\$ -</b>	<b>\$ 8,461</b>	<b>\$ -</b>

**Capital Projects Funds**

MDOT		Riverfront	Total	
Enhancement		Park Development		
\$ 81,500	\$ -	\$ 81,500		
-	-	5,776		
-	273	8,909		
81,500	273	96,185		
-	7,286	7,286		
162,502	-	162,502		
-	-	104,000		
-	-	14,944		
162,502	7,286	288,732		
(81,002)	(7,013)	(192,547)		
-	-	2,712		
-	-	50,880		
-	-	53,592		
(81,002)	(7,013)	(138,955)		
257,226	72,880	444,628		
\$ 176,224	\$ 65,867	\$ 305,673		

### **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit, or to other governments on a cost-reimbursement basis.

**Building Authority Fund** - To account for the depreciation of and debt payments for the city's DPW garage; to account for charges to user funds and departments to cover those expenses.

**Equipment Pool Fund** - To account for the purchase, operation, maintenance and depreciation of all city owned vehicles and equipment; to account for charges to the user funds and departments to cover those expenses.



# CITY OF NEWAYGO, MICHIGAN

## Internal Service Funds

### Combining Statement of Fund Net Assets

June 30, 2004

ASSETS	Building Authority	Equipment Pool	Total
Noncurrent assets			
Capital assets, net of depreciation	\$ 233,585	\$ 211,829	\$ 445,414
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Current liabilities			
Current maturities of long-term debt	\$ 15,000	\$ 38,000	\$ 53,000
Accounts payable	-	757	757
Accrued liabilities	-	2,200	2,200
Due to other funds	-	33,608	33,608
Total current liabilities	15,000	74,565	89,565
Noncurrent liabilities			
Long-term debt, less current maturities	15,000	91,660	106,660
Total liabilities	30,000	166,225	196,225
Net assets			
Invested in capital assets, net of related debt	203,585	82,169	285,754
Unrestricted	-	(36,565)	(36,565)
Total net assets	203,585	45,604	249,189
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 233,585</b>	<b>\$ 211,829</b>	<b>\$ 445,414</b>

# CITY OF NEWAYGO, MICHIGAN

## Internal Service Funds

### Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Year Ended June 30, 2004

	Building Authority	Equipment Pool	Total
Operating revenues			
Rental income	\$ 18,049	\$ 173,859	\$ 191,908
Operating expenses			
Operations	-	84,288	84,288
Administration	450	-	450
Depreciation	13,396	50,630	64,026
Total operating expenses	13,846	134,918	148,764
Operating income	4,203	38,941	43,144
Nonoperating expenses			
Interest expense	(2,599)	(5,089)	(7,688)
Change in net assets	1,604	33,852	35,456
Net assets at beginning of year	201,981	11,752	213,733
Net assets at end of year	\$ 203,585	\$ 45,604	\$ 249,189

# CITY OF NEWAYGO, MICHIGAN

## Internal Service Funds

### Combining Statement of Cash Flows

Year Ended June 30, 2004

	Building Authority	Equipment Pool	Combining Totals
<b>Cash flow from operating activities</b>			
Receipts from interfund services provided	\$ 18,049	\$ 173,859	\$ 191,908
Payments to suppliers	(450)	(71,535)	(71,985)
Payments to employees	-	(11,996)	(11,996)
Payments for internal services used	-	(23,428)	(23,428)
<b>Net cash provided by operating activities</b>	<b>17,599</b>	<b>66,900</b>	<b>84,499</b>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	-	(75,973)	(75,973)
Proceeds from new long-term debt	-	91,245	91,245
Principal payments on long-term debt	(15,000)	(70,683)	(85,683)
Interest paid on long-term debt	(2,599)	(11,489)	(14,088)
<b>Net cash used for capital and related financing activities</b>	<b>(17,599)</b>	<b>(66,900)</b>	<b>(84,499)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 4,203	\$ 38,941	\$ 43,144
Adjustments to reconcile operating income to net cash provided by (used for) operating activities			
Depreciation	13,396	50,630	64,026
Increase (decrease) in			
Accounts payable	-	757	757
Due to other funds	-	(23,428)	(23,428)
<b>Net cash provided by operating activities</b>	<b>\$ 17,599</b>	<b>\$ 66,900</b>	<b>\$ 84,499</b>

### **AGENCY FUNDS**

Agency funds are used to account for assets held by the city in a trustee capacity for individuals, private organizations, other governments or other funds.

**Tax Collection Fund** - To account for the levy, collection and payment of taxes levied for the general and other funds of the city, county and public school district.

**Museum Fund** - To account for money held on behalf of the Newaygo County Historical Society.

**Escrow Fund** - To account for deposits from individuals for zoning and other items.

**Historical Clock Tower Fund** - To account for deposits from individuals for the city's historical clock tower in downtown Newaygo.

**Arts and Mural Fund** - To account for deposits from individuals for the city's arts and mural wall in downtown Newaygo.

# CITY OF NEWAYGO, MICHIGAN

## Agency Funds

### Combining Statement of Assets and Liabilities

June 30, 2004

ASSETS	Tax Collection	Museum	Escrow	Historical Clock Tower
Cash and cash equivalents	\$ 58,362	\$ 1,452	\$ 46	\$ 43,131
Accounts receivable	422	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 58,784</b>	<b>\$ 1,452</b>	<b>\$ 46</b>	<b>\$ 43,131</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 46,407	\$ -	\$ -	\$ -
Due to other governmental units	12,377	-	-	-
Other liabilities	-	1,452	46	43,131
<b>TOTAL LIABILITIES</b>	<b>\$ 58,784</b>	<b>\$ 1,452</b>	<b>\$ 46</b>	<b>\$ 43,131</b>

---

Arts and		Total	
Mural			
\$	3,860	\$	106,851
	-		422

\$	3,860	\$	107,273
----	-------	----	---------

\$	-	\$	46,407
	-		12,377
	3,860		48,489

\$	3,860	\$	107,273
----	-------	----	---------

# CITY OF NEWAYGO, MICHIGAN

## Agency Funds

### Statement of Changes in Assets and Liabilities

Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b><u>TAX COLLECTION FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 101,256	\$ 2,567,823	\$ 2,610,717	\$ 58,362
Accounts receivable	348	74	-	422
Due from other governmental units	8,650	-	8,650	-
<b>TOTAL ASSETS</b>	<b>\$ 110,254</b>	<b>\$ 2,567,897</b>	<b>\$ 2,619,367</b>	<b>\$ 58,784</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 1,216	\$ -	\$ 1,216	\$ -
Due to other funds	39,880	297,796	291,269	46,407
Due to component units	26,333	1,599,110	1,625,443	-
Due to other governmental units	42,825	689,889	720,337	12,377
<b>TOTAL LIABILITIES</b>	<b>\$ 110,254</b>	<b>\$ 2,586,795</b>	<b>\$ 2,638,265</b>	<b>\$ 58,784</b>
<b><u>MUSEUM FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 7,699	\$ -	\$ 6,247	\$ 1,452
<b><u>LIABILITIES</u></b>				
Other liabilities	\$ 7,699	\$ -	\$ 6,247	\$ 1,452
<b><u>ESCROW FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 46	\$ 50,000	\$ 50,000	\$ 46
<b><u>LIABILITIES</u></b>				
Other liabilities	\$ 46	\$ 50,000	\$ 50,000	\$ 46
<b><u>HISTORICAL CLOCK TOWER FUND</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 76,270	\$ 33,139	\$ 43,131
<b><u>LIABILITIES</u></b>				
Other liabilities	\$ -	\$ 76,270	\$ 33,139	\$ 43,131

# CITY OF NEWAYGO, MICHIGAN

## Agency Funds

### Statement of Changes in Assets and Liabilities - Continued

Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>ARTS AND MURAL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 6,376	\$ 2,516	\$ 3,860
<b>LIABILITIES</b>				
Other liabilities	\$ -	\$ 6,376	\$ 2,516	\$ 3,860
<b>ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 109,001	\$ 2,700,469	\$ 2,702,619	\$ 106,851
Accounts receivable	348	74	-	422
Due from other governmental units	8,650	-	8,650	-
<b>TOTAL ASSETS</b>	<b>\$ 117,999</b>	<b>\$ 2,700,543</b>	<b>\$ 2,711,269</b>	<b>\$ 107,273</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,216	\$ -	\$ 1,216	\$ -
Due to other funds	39,880	297,796	291,269	46,407
Due to component units	26,333	1,599,110	1,625,443	-
Due to other governmental units	42,825	689,889	720,337	12,377
Other liabilities	7,745	132,646	91,902	48,489
<b>TOTAL LIABILITIES</b>	<b>\$ 117,999</b>	<b>\$ 2,719,441</b>	<b>\$ 2,730,167</b>	<b>\$ 107,273</b>



### **DISCRETELY PRESENTED COMPONENT UNITS**

Discretely presented component units are legally separate entities that because of their operational and financial relationship with the city are considered to be part of the city's reporting entity.

Tax Increment Finance Authority - To account for the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the authority.

Local Development Finance Authority - To account for the collection of tax increment revenue, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the authority.

Newaygo Carnegie Library - To account for the assets, liabilities, revenues and expenditures of the city's public library.

# CITY OF NEWAYGO, MICHIGAN

Discretely Presented Component Units

Tax Increment Finance Authority

Combining Balance Sheet

June 30, 2004

ASSETS		General	Debt Service	Total
Cash and cash equivalents	\$	33,069	\$ -	\$ 33,069
Restricted cash and cash equivalents		-	342,061	342,061
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>33,069</b>	<b>\$ 342,061</b>	<b>\$ 375,130</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to other governmental units	\$	9,655	\$ -	\$ 9,655
Fund balances				
Unreserved				
Undesignated		23,414	342,061	365,475
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$</b>	<b>33,069</b>	<b>\$ 342,061</b>	<b>\$ 375,130</b>

# **CITY OF NEWAYGO, MICHIGAN**

**Discretely Presented Component Units**

**Local Development Finance Authority**

**General Fund**

**Balance Sheet**

**June 30, 2004**

---

## **ASSETS**

**Cash and cash equivalents**

**\$ 33,857**

## **FUND BALANCES**

**Unreserved**

**Undesignated**

**\$ 33,857**

# CITY OF NEWAYGO, MICHIGAN

Discretely Presented Component Units

Newaygo Carnegie Library

General Fund

Balance Sheet

June 30, 2004

---

## ASSETS

Cash and cash equivalents	\$	120,203
Investments		31,376
Accounts receivable		94

---

TOTAL ASSETS	\$	151,673
--------------	----	---------

---

## LIABILITIES AND FUND BALANCES

### Liabilities

Accounts payable	\$	1,306
Deferred revenue		79,882
Total liabilities		81,188

### Fund balances

Reserved for capital projects		6,500
Unreserved		
Undesignated		63,985
Total fund balances		70,485

---

TOTAL LIABILITIES AND FUND BALANCES	\$	151,673
-------------------------------------	----	---------

---

# CITY OF NEWAYGO, MICHIGAN

Discretely Presented Component Units

Tax Increment Finance Authority

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2004

	General	Debt Service	Total
<b>Revenues</b>			
Property taxes	\$ 1,498,456	\$ -	\$ 1,498,456
Interest	1,277	3,102	4,379
<b>Total revenues</b>	<b>1,499,733</b>	<b>3,102</b>	<b>1,502,835</b>
<b>Expenditures</b>			
Current			
Public works			
Streets and highways	276,674	-	276,674
Community and economic development	3,000	-	3,000
Other functions			
Administration	96,966	-	96,966
Distributions to other taxing authorities	73,021	-	73,021
Debt service			
Principal	-	947,647	947,647
Interest and fiscal charges	-	255,044	255,044
<b>Total expenditures</b>	<b>449,661</b>	<b>1,202,691</b>	<b>1,652,352</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,050,072</b>	<b>(1,199,589)</b>	<b>(149,517)</b>
<b>Other financing sources (uses)</b>			
Transfers in - component units	-	815,337	815,337
Transfers out - primary government	(370,880)	-	(370,880)
Transfers out - component units	(826,336)	-	(826,336)
<b>Total other financing sources (uses)</b>	<b>(1,197,216)</b>	<b>815,337</b>	<b>(381,879)</b>
<b>Deficiency of revenues and other sources over expenditures and other uses</b>	<b>(147,144)</b>	<b>(384,252)</b>	<b>(531,396)</b>
<b>Fund balances at beginning of year</b>	<b>170,558</b>	<b>726,313</b>	<b>896,871</b>
<b>Fund balances at end of year</b>	<b>\$ 23,414</b>	<b>\$ 342,061</b>	<b>\$ 365,475</b>

# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Local Development Finance Authority

#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2004

	General	Debt Service	Total
<b>Revenues</b>			
Property taxes	\$ 89,798	\$ -	\$ 89,798
Interest	236	-	236
<b>Total revenues</b>	<b>90,034</b>	<b>-</b>	<b>90,034</b>
<b>Expenditures</b>			
Other functions			
Administration	5,000	-	5,000
Distributions to other taxing authorities	16,260	-	16,260
Debt service			
Principal	-	19,000	19,000
Interest and fiscal charges	-	4,560	4,560
<b>Total expenditures</b>	<b>21,260</b>	<b>23,560</b>	<b>44,820</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>68,774</b>	<b>(23,560)</b>	<b>45,214</b>
<b>Other financing sources (uses)</b>			
Transfers in - component units	-	23,560	23,560
Transfers out - primary government	(45,000)	-	(45,000)
Transfers out - component units	(25,810)	-	(25,810)
<b>Total other financing sources (uses)</b>	<b>(70,810)</b>	<b>23,560</b>	<b>(47,250)</b>
<b>Deficiency of revenues and other sources over expenditures and other uses</b>	<b>(2,036)</b>	<b>-</b>	<b>(2,036)</b>
<b>Fund balances at beginning of year</b>	<b>35,893</b>	<b>-</b>	<b>35,893</b>
<b>Fund balances at end of year</b>	<b>\$ 33,857</b>	<b>\$ -</b>	<b>\$ 33,857</b>

# **CITY OF NEWAYGO, MICHIGAN**

**Discretely Presented Component Units**

**Newaygo Carnegie Library**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year Ended June 30, 2004**

<b>Revenues</b>	
Property taxes	\$ 10,699
<b>State revenues</b>	
State aid	8,524
<b>Local grants and contributions</b>	
Intergovernmental	
Brooks Township	38,729
Garfield Township	9,000
Total intergovernmental	47,729
Other	56,039
Total local grants and contributions	103,768
<b>Charges for services</b>	
	21,314
<b>Fines and penalties</b>	
Penal fines	47,794
Other	5,278
Total fines and penalties	53,072
<b>Interest</b>	
	1,706
<b>Other</b>	
	345
Total revenues	199,428

# CITY OF NEWAYGO, MICHIGAN

## Discretely Presented Component Units

### Newaygo Carnegie Library

#### Statement of Revenues, Expenditures and Changes in Fund Balances - Continued

Year Ended June 30, 2004

<b>Expenditures</b>	
<b>Current</b>	
<b>Recreation and culture</b>	
Salaries and wages	\$ 92,138
Fringe benefits	8,493
Supplies	11,392
Utilities	7,399
Repairs and maintenance	4,475
Contracted services	16,381
Other services and charges	21,553
<b>Total recreation and culture</b>	<b>161,831</b>
<b>Capital outlay</b>	<b>29,881</b>
<b>Total expenditures</b>	<b>191,712</b>
<b>Excess of revenues over expenditures</b>	<b>7,716</b>
<b>Other financing sources</b>	
Transfers in - component units	13,249
<b>Excess of revenues and other sources over expenditures</b>	<b>20,965</b>
<b>Fund balances at beginning of year</b>	<b>49,520</b>
<b>Fund balances at end of year</b>	<b>\$ 70,485</b>



**SCHEDULE OF INDEBTEDNESS**

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Indebtedness**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>
<b>Governmental Activities Bonds and Loans Payable</b>			
Government Leasing Note Payable			8.80 %
Truck Loan Note Payable			5.70
1990 Building Authority Bonds	1-01-90	\$ 160,000	6.85 6.90 7.00
2004 Equipment Installment Note	5-27-04	91,245	3.85 3.85 3.85 3.85 3.85 3.85 3.85
1998 Special Assessment Bonds	4-01-98	69,000	5.00 5.00 5.00 5.00 5.00

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
12-01-03	\$ 6,549	\$ -	\$ -
12-01-04	3,512	3,512	97
	10,061	3,512	97
10-14-03	64,134	-	-
10-14-04	34,903	34,903	2,039
	99,037	34,903	2,039
1-01-04	15,000	-	-
1-01-05	15,000	15,000	2,085
1-01-06	15,000	15,000	1,050
	45,000	30,000	3,135
8-31-04	-	-	937
8-31-05	-	11,605	3,513
8-31-06	-	12,052	3,066
8-31-07	-	12,516	2,602
8-31-08	-	12,998	2,120
8-31-09	-	13,498	1,620
8-31-10	-	14,018	1,100
8-31-11	-	14,558	560
	-	91,245	15,518
4-01-04	7,000	-	-
4-01-05	7,000	7,000	1,400
4-01-06	7,000	7,000	1,050
4-01-07	7,000	7,000	700
4-01-08	7,000	7,000	350
	35,000	28,000	3,500

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Indebtedness - Continued**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	
<b>Governmental Activities Bonds and Loans Payable (continued)</b>				
<b>1993 Special Assessment Bonds</b>	<b>8-01-93</b>	<b>\$ 265,000</b>	<b>5.40</b>	<b>%</b>
			<b>5.50</b>	
			<b>5.50</b>	
			<b>5.55</b>	
			<b>5.55</b>	
			<b>5.60</b>	
			<b>5.60</b>	
			<b>5.65</b>	
			<b>5.65</b>	
			<b>5.70</b>	
			<b>5.70</b>	
<b>1998 Special Assessment Bonds</b>	<b>7-01-98</b>	<b>240,000</b>	<b>5.00</b>	
<b>Non-interest Bearing Note</b>	<b>6-01-00</b>	<b>480,000</b>	<b>1.00</b>	
			<b>(fee)</b>	

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
8-01-03	\$ 13,000	\$ -	\$ -
8-01-04	13,000	13,000	7,206
8-01-05	13,000	13,000	6,491
8-01-06	13,000	13,000	5,772
8-01-07	13,000	13,000	5,051
8-01-08	13,000	13,000	4,326
8-01-09	14,000	14,000	3,570
8-01-10	14,000	14,000	2,783
8-01-11	14,000	14,000	1,992
8-01-12	14,000	14,000	1,197
8-01-13	14,000	14,000	399
	<u>148,000</u>	<u>135,000</u>	<u>38,787</u>
7-01-04	<u>36,000</u>	-	-
6-01-04	48,000	-	-
6-01-05	48,000	48,000	2,400
6-01-06	48,000	48,000	1,920
6-01-07	48,000	48,000	1,440
6-01-08	48,000	48,000	960
6-01-09	48,000	48,000	480
	<u>288,000</u>	<u>240,000</u>	<u>7,200</u>

**June 30, 2004 and 2003**

	Date of Issue	Amount of Issue	Interest Rate	
<b>Governmental Activities Bonds</b>				
<b>and Loans Payable (continued)</b>				
<b>2003 Special Assessment Bonds</b>	<b>10-15-03</b>	<b>\$ 375,000</b>	<b>3.60</b>	<b>%</b>
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
			<b>3.60</b>	
<b>MSHDA Notes Payable</b>	<b>various</b>	<b>200,000</b>	<b>-</b>	
<b>Total Governmental Activities Bonds and Loans Payable</b>				

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
4-01-05	\$ -	\$ 20,000	\$ 12,960
4-01-06	-	20,000	12,240
4-01-07	-	20,000	11,520
4-01-08	-	20,000	10,800
4-01-09	-	25,000	10,080
4-01-10	-	25,000	9,180
4-01-11	-	25,000	8,280
4-01-12	-	25,000	7,380
4-01-13	-	25,000	6,480
4-01-14	-	30,000	5,580
4-01-15	-	30,000	4,500
4-01-16	-	30,000	3,420
4-01-17	-	30,000	2,340
4-01-18	-	35,000	1,260
	-	360,000	106,020
2008	-	200,000	-
	661,098	1,122,660	176,296

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Indebtedness - Continued**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	
<b>Business-Type Activities Bonds and Loans Payable</b>				
1990 General Obligation Sewer Bonds	1-01-90	\$ 385,000	6.85	%
			6.90	
			7.00	
1989 Ambac Insured Bonds	11-01-89	285,000	7.50	
			7.50	
			7.50	
			7.50	
			7.50	
			7.50	
			7.55	
			7.55	
			7.55	
			7.55	
1992 Water Supply System Revenue Bonds	9-01-92	425,000	6.10	
			6.20	
			6.25	
			6.30	
			6.30	
			6.35	
			6.35	
			6.40	
			6.40	
			6.40	



Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
1-01-04	\$ 35,000	\$ -	\$ -
1-01-05	35,000	35,000	4,007
1-01-06	40,000	40,000	1,400
	<u>110,000</u>	<u>75,000</u>	<u>5,407</u>
11-01-03	15,000	-	-
11-01-04	15,000	15,000	8,832
11-01-05	15,000	15,000	7,708
11-01-06	15,000	15,000	6,582
11-01-07	10,000	10,000	5,645
11-01-08	15,000	15,000	4,708
11-01-09	15,000	15,000	3,582
11-01-10	10,000	10,000	2,643
11-01-11	10,000	10,000	1,887
11-01-12	10,000	10,000	1,133
11-01-13	10,000	10,000	377
	<u>140,000</u>	<u>125,000</u>	<u>43,097</u>
9-01-03	20,000	-	-
9-01-04	20,000	20,000	15,542
9-01-05	25,000	25,000	14,141
9-01-06	25,000	25,000	12,573
9-01-07	25,000	25,000	10,998
9-01-08	30,000	30,000	9,257
9-01-09	30,000	30,000	7,353
9-01-10	30,000	30,000	5,440
9-01-11	35,000	35,000	3,360
9-01-12	35,000	35,000	1,120
	<u>275,000</u>	<u>255,000</u>	<u>79,784</u>

**June 30, 2004 and 2003**[illegible]

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
8-01-04	\$ -	\$ 11,000	\$ 55,186
8-01-05	-	12,000	54,697
8-01-06	-	13,000	54,166
8-01-07	-	13,000	53,614
8-01-08	-	14,000	53,040
8-01-09	-	14,000	52,445
8-01-10	-	15,000	51,829
8-01-11	-	16,000	51,170
8-01-12	-	17,000	50,469
8-01-13	-	17,000	49,746
8-01-14	-	18,000	49,003
8-01-15	-	19,000	48,216
8-01-16	-	20,000	47,387
8-01-17	-	21,000	46,516
8-01-18	-	22,000	45,602
8-01-19	-	23,000	44,647
8-01-20	-	24,000	43,648
8-01-21	-	25,000	42,607
8-01-22	-	26,000	41,522
8-01-23	-	28,000	40,375
8-01-24	-	29,000	39,164
8-01-25	-	30,000	37,910
8-01-26	-	32,000	36,592
8-01-27	-	33,000	35,211
8-01-28	-	35,000	33,766
8-01-29	-	37,000	32,236
8-01-30	-	38,000	30,642
8-01-31	-	40,000	28,985
8-01-32	-	42,000	27,243
8-01-33	-	44,000	25,415
8-01-34	-	46,000	23,502
8-01-35	-	48,000	21,505
8-01-36	-	51,000	19,402
8-01-37	-	53,000	17,191
8-01-38	-	55,000	14,897
8-01-39	-	58,000	12,495
8-01-40	-	61,000	9,966
8-01-41	-	64,000	7,310
8-01-42	-	67,000	4,526
8-01-43	-	73,000	1,551
		1,304,000	1,435,394

**June 30, 2004 and 2003****Total Primary Government Bonds and Loans Payable**

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
8-01-04	\$ -	\$ 13,000	\$ 63,474
8-01-05	-	14,000	62,900
8-01-06	-	14,000	62,305
8-01-07	-	15,000	61,689
8-01-08	-	16,000	61,030
8-01-09	-	17,000	60,329
8-01-10	-	17,000	59,606
8-01-11	-	18,000	58,862
8-01-12	-	19,000	58,076
8-01-13	-	20,000	57,248
8-01-14	-	21,000	56,376
8-01-15	-	22,000	55,462
8-01-16	-	23,000	54,506
8-01-17	-	24,000	53,508
8-01-18	-	25,000	52,466
8-01-19	-	26,000	51,382
8-01-20	-	28,000	50,235
8-01-21	-	29,000	49,024
8-01-22	-	30,000	47,770
8-01-23	-	32,000	46,453
8-01-24	-	33,000	45,071
8-01-25	-	35,000	43,626
8-01-26	-	37,000	42,096
8-01-27	-	38,000	40,502
8-01-28	-	40,000	38,845
8-01-29	-	42,000	37,103
8-01-30	-	44,000	35,275
8-01-31	-	46,000	33,362
8-01-32	-	48,000	31,365
8-01-33	-	51,000	29,261
8-01-34	-	53,000	27,051
8-01-35	-	55,000	24,756
8-01-36	-	58,000	22,355
8-01-37	-	45,000	19,825
	-	1,048,000	1,593,194
	525,000	2,807,000	3,156,876
	1,186,098	3,929,660	3,333,172

# CITY OF NEWAYGO, MICHIGAN

## Schedule of Indebtedness - Continued

June 30, 2004 and 2003

	Date of Issue	Amount of Issue	Interest Rate	
<b>Discretely Presented Component Units</b>				
<b>Bonds and Loans Payable</b>				
1990 Tax Increment Limited Obligation Bonds	8-01-90	\$ 190,000	7.10	%
			7.10	
			7.10	
1992 Tax Increment Limited Obligation Bonds, Series A	9-01-92	200,000	5.60	
			5.80	
			5.90	
			6.00	
			6.00	
1992 Tax Increment Limited Obligation Bonds, Series B	9-01-92	495,000	5.90	
			6.00	
			6.05	
			6.10	
			6.15	
			6.20	
			6.25	
			6.30	
			6.30	
			6.30	
1994 Tax Increment Limited Obligation Bonds, Series B	10-01-94	950,000	5.60	
			5.75	
			5.90	
			6.00	
			6.15	
			6.25	
			6.30	
			6.35	
			6.40	
			6.45	
			6.50	
			6.50	

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
8-01-03	\$ 17,000	\$ -	\$ -
8-01-04	19,000	19,000	2,165
8-01-05	21,000	21,000	746
	<u>57,000</u>	<u>40,000</u>	<u>2,911</u>
9-01-03	15,000	-	-
9-01-04	15,000	15,000	3,720
9-01-05	15,000	15,000	2,843
9-01-06	20,000	20,000	1,800
9-01-07	20,000	20,000	600
	<u>85,000</u>	<u>70,000</u>	<u>8,963</u>
9-01-03	25,000	-	-
9-01-04	25,000	25,000	18,170
9-01-05	25,000	25,000	16,664
9-01-06	30,000	30,000	14,992
9-01-07	30,000	30,000	13,155
9-01-08	35,000	35,000	11,148
9-01-09	35,000	35,000	8,969
9-01-10	40,000	40,000	6,615
9-01-11	40,000	40,000	4,095
9-01-12	45,000	45,000	1,417
	<u>330,000</u>	<u>305,000</u>	<u>95,225</u>
10-01-03	40,000	-	-
10-01-04	45,000	45,000	39,486
10-01-05	45,000	45,000	36,865
10-01-06	50,000	50,000	34,038
10-01-07	50,000	50,000	31,000
10-01-08	55,000	55,000	27,744
10-01-09	55,000	55,000	24,293
10-01-10	60,000	60,000	20,655
10-01-11	65,000	65,000	16,670
10-01-12	70,000	70,000	12,333
10-01-13	75,000	75,000	7,637
10-01-14	80,000	80,000	2,600
	<u>690,000</u>	<u>650,000</u>	<u>253,321</u>

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Indebtedness - Continued**

**June 30, 2004 and 2003**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>
<b>Discretely Presented Component Units</b>			
<b>Bonds and Loans Payable (continued)</b>			
<b>1994 Tax Increment Limited Obligation Bonds, Series A</b>	<b>3-01-94</b>	<b>\$ 7,300,000</b>	<b>2.10 %</b>

<b>1996 Tax Increment Limited Obligation Bonds</b>	<b>10-01-96</b>	<b>175,000</b>	<b>5.70</b>
			<b>5.80</b>
			<b>5.90</b>
			<b>6.00</b>



Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
3-01-04	\$ 90,647	\$ -	\$ -
3-01-05	90,647	90,647	92,046
3-01-06	104,733	104,733	125,275
3-01-07	120,402	120,402	123,075
3-01-08	136,766	136,766	120,547
3-01-09	153,880	153,880	117,675
3-01-10	171,799	171,799	114,443
3-01-11	190,584	190,584	110,836
3-01-12	210,445	210,445	106,833
3-01-13	237,059	237,059	102,414
3-01-14	268,623	268,623	97,436
3-01-15	303,023	303,023	91,795
3-01-16	340,011	340,011	85,431
3-01-17	379,773	379,773	78,291
3-01-18	422,505	422,505	70,316
3-01-19	453,234	453,234	61,443
3-01-20	453,234	453,234	51,925
3-01-21	453,234	453,234	42,407
3-01-22	453,234	453,234	32,889
3-01-23	453,234	453,234	23,372
3-01-24	453,234	453,234	13,854
3-01-25	453,234	206,464	4,336
3-01-26	453,230	-	-
	6,846,765	6,056,118	1,666,639
10-01-03	19,000	-	-
10-01-04	20,000	20,000	3,139
10-01-05	21,000	21,000	1,939
10-01-06	22,000	22,000	660
	82,000	63,000	5,738

# CITY OF NEWAYGO, MICHIGAN

## Schedule of Indebtedness - Continued

June 30, 2004 and 2003

	Date of Issue	Amount of Issue	Interest Rate
<b>Discretely Presented Component Units</b>			
<b>Bonds and Loans Payable (continued)</b>			
1994 Tax Increment Limited Obligation Bonds, Series C	10-01-94	\$ 850,000	6.80 %
			6.90
			7.20
			7.20
			7.20
			7.20
			7.20
			7.40
			7.40
			7.40
			7.40
			7.40
			7.40
1994 Tax Increment Limited Obligation Bonds, Series D	10-01-94	520,000	7.100
			7.200
			7.500
			7.500
			7.500
			7.500
			7.500
			7.625
			7.625
			7.625
			7.625
			7.625

**Total Discretely Presented Component Units Bonds and Loans Payable**

**Total Reporting Entity Bonds and Loans Payable**

Date of Maturity	Balance Outstanding June 30,		Annual Interest Payable
	2003	2004	
10-01-03	\$ 35,000	\$ -	\$ -
10-01-04	40,000	40,000	41,250
10-01-05	40,000	40,000	38,430
10-01-06	45,000	45,000	35,370
10-01-07	45,000	45,000	32,130
10-01-08	50,000	50,000	28,710
10-01-09	50,000	50,000	25,110
10-01-10	55,000	55,000	21,275
10-01-11	60,000	60,000	17,020
10-01-12	65,000	65,000	12,395
10-01-13	65,000	65,000	7,585
10-01-14	70,000	70,000	2,590
	<u>620,000</u>	<u>585,000</u>	<u>261,865</u>
10-01-03	25,000	-	-
10-01-04	25,000	25,000	28,544
10-01-05	25,000	25,000	26,706
10-01-06	30,000	30,000	24,644
10-01-07	30,000	30,000	22,394
10-01-08	30,000	30,000	20,144
10-01-09	35,000	35,000	17,706
10-01-10	35,000	35,000	15,059
10-01-11	40,000	40,000	12,200
10-01-12	45,000	45,000	8,959
10-01-13	45,000	45,000	5,528
10-01-14	50,000	50,000	1,906
	<u>415,000</u>	<u>390,000</u>	<u>183,790</u>
	<u>9,125,765</u>	<u>8,159,118</u>	<u>2,478,452</u>
	<u>\$ 10,311,863</u>	<u>\$ 12,088,778</u>	<u>\$ 5,811,624</u>

**CITY OF NEWAYGO, MICHIGAN**  
**INDEPENDENT AUDITORS' REPORTS ON**  
**FEDERAL AWARDS**

**June 30, 2004**

# **CITY OF NEWAYGO, MICHIGAN**

## **CONTENTS**

---

	<u>Page</u>
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>3</b>
<b>Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133</b>	<b>4 - 5</b>
<b>Schedule of Expenditures of Federal and Other Awards</b>	<b>6 - 7</b>
<b>Report on Internal Control and Management Advisory Comments</b>	<b>8 - 13</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>14</b>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and Members of the  
City Council of the City of Newaygo, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newaygo, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City of Newaygo, Michigan's basic financial statements and have issued our report thereon dated September 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Newaygo, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Newaygo, Michigan in a separate letter dated September 21, 2004, and reproduced on pages 8 to 13 of this report.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Newaygo, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the city council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hoffman, Steensma & Plamondon, P.L.C.*  
September 21, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To The Honorable Mayor and Members of the  
City Council of the City of Newaygo, Michigan

**Compliance**

We have audited the compliance of City of Newaygo, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. City of Newaygo, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of City of Newaygo, Michigan's management. Our responsibility is to express an opinion on City of Newaygo, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Newaygo, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Newaygo, Michigan compliance with those requirements.

In our opinion, City of Newaygo, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of City of Newaygo, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Newaygo, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of City of Newaygo, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated September 21, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hoffman, Stearns & Plamondon, P.C.C.*

September 21, 2004



# CITY OF NEWAYGO, MICHIGAN

## Schedule of Expenditures of Federal and Other Awards Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Revenue July 1, 2003
<b>U.S. Department of Agriculture</b>				
Water and Waste Disposal Systems for Rural Communities (1)				
Waste Disposal System Improvements				
Grant	10.760	N/A	\$ 2,800,000	\$ -
Bond	10.760	N/A	1,304,000	-
Water System Improvements				
Bond	10.760	N/A	1,500,000	-
Total Water and Waste Disposal for Rural Communities			5,604,000	-
Rural Economic Development Loans and Grants (3)				
Passed through Great Lakes Energy Cooperative				
Rural Development Loans	10.854	N/A	480,000	-
Total U.S. Department of Agriculture			6,084,000	-
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant / State's Program (1)				
Passed through Michigan Strategic Fund				
Downtown Revitalization Project	14.228	MSC 202005-EDIG	1,016,558	81,992
Passed through Michigan State Housing Development Authority				
Rental Rehabilitation	14.228	MSC-2002-1327-MDC	244,000	12,000
Total U.S. Department of Housing and Urban Development			1,260,558	93,992
<b>U.S. Department of Justice</b>				
Public Safety Partnership and Community Policing Grant				
COPS Universal Hiring Program	16.710	N/A	75,000	-
<b>U.S. Department of Transportation, Federal Highway Administration</b>				
Highway Planning and Construction				
Passed Through Michigan Department of Transportation				
Proj STP0462(303) Fed Item YY0232	20.205	04-5075	224,702	-
Total Federal and Other Assistance			\$ 7,644,260	\$ 93,992

Current Year Revenues Received		Current Year Revenues Expended		Accrued (Deferred) Revenue June 30, 2004
Federal Grants	Other Sources	Federal Grants	Other Sources	
\$ 346,400	\$ -	\$ 745,600	\$ -	\$ 399,200
1,304,000	-	1,304,000	-	-
1,048,000	-	1,048,000	-	-
2,698,400	-	3,097,600	-	-
-	-	-	-	-
2,698,400	-	3,097,600	-	399,200
603,234	605,000	650,754	605,000	129,512
212,768	57,906	200,768	57,906	-
816,002	662,906	851,522	662,906	129,512
17,899	16,936	23,421	16,936	5,522
-	34,929	81,500	34,929	81,500
\$ 3,532,301	\$ 714,771	\$ 4,054,043	\$ 714,771	\$ 615,734

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Expenditures of Federal and Other Awards - Continued** **Year Ended June 30, 2004**

---

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS**

1. Designates Major Program.
2. The accompanying Schedule of Expenditures of Federal and Other Awards is prepared on the accrual basis of accounting.
3. The City of Newaygo, Michigan received a federal loan in 1999 in the amount of \$480,000. The outstanding balance at June 30, 2004 is \$240,000.
4. Significant accounting policies of the City of Newaygo, Michigan are disclosed in the notes to their financial statements.

**CITY OF NEWAYGO, MICHIGAN**  
**REPORT ON INTERNAL CONTROL**  
**AND**  
**MANAGEMENT ADVISORY COMMENTS**

**June 30, 2004**

**CITY OF NEWAYGO, MICHIGAN**  
**CONTENTS**

---

	<u>Page</u>
SCOPE OF REVIEW	10
REPORTABLE CONDITIONS AND OTHER COMMENT	12 - 13

To the City Council  
City of Newaygo, Michigan

In planning and performing our audit of the financial statements of the City of Newaygo, Michigan for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the ability of the organization to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described on pages 12 - 13 are believed to be a material weakness.

This report is intended solely for the information and use of city council, management and others within the organization.

*Hoffman, Steensma & Plamondon, P.L.C.*

September 21, 2004

**REPORTABLE CONDITIONS AND OTHER COMMENT**

# **CITY OF NEWAYGO, MICHIGAN**

## **Reportable Conditions and Other Comment**

June 30, 2004

---

### **PRIOR YEAR RECOMMENDATIONS**

#### **REPORTABLE CONDITIONS**

##### **Cash Disbursements**

We recommended that all disbursements be approved by an appropriate member of management, and that the approval be evidenced by a signing or initialing of the invoice. We also recommended that all paid invoices be stamped "paid" or defaced in a consistent manner to prevent double payment of specific invoices. Although we noted some improvement, we continue to recommend that all invoices be approved by an appropriate member of management and that all paid invoices be stamped "paid" or defaced in some manner as to indicate payment.

##### **Year End Disbursements Cutoff**

We recommended that year end disbursements cutoff procedures include the recording of accounts payable. Although we noted some improvement, we continue to recommend that year end disbursements cutoff procedures include the recording of all capital project amounts payable.

##### **Water and Sewer Accounts Receivables**

We recommended that the city reconcile the general ledger accounts receivable balances to the underlying detail on a monthly basis or at the year end. This recommendation was acted upon.

##### **Journal Entries**

We recommended that all journal entries have supporting detail attached to them. This recommendation was acted upon.

##### **Financial Forecasts**

We recommended that the city prepare a five year forecast for all significant funds. This recommendation was not acted upon.

### **OTHER COMMENT**

##### **Capital Outlay Accounts**

We recommended that the city adopt a capitalization threshold of \$5,000 in accordance with Government Finance Officer's Association recommendations. We further recommended that general ledger accounts be created in which to post equipment purchases that are less than \$5,000 and only individual equipment purchases greater than \$5,000 be posted in capital outlay accounts. Although the city adopted the capitalization threshold portion of the recommendation, we continue to recommend that general ledger accounts be created in which to post equipment purchases that are less than \$5,000 and only individual equipment purchases greater than \$5,000 be posted in capital outlay accounts.



# **CITY OF NEWAYGO, MICHIGAN**

## **Reportable Conditions and Other Comment - Continued**

June 30, 2004

---

### **CURRENT YEAR RECOMMENDATIONS**

#### **REPORTABLE CONDITIONS**

##### **Payroll Accruals**

During our examination, we noted that the city did not calculate or record an amount for payroll expense accrued at year end. We recommend that the city calculate and record an amount for salaries and wages earned but not paid at year end.

##### **Component Unit Investment**

During our examination, we noted that the Newaygo Carnegie Library held a certificate of deposit from a bank that does not have a branch in the State of Michigan. This is in violation of Michigan Public Act 196 of 1997. We recommend that the certificate be sold as soon as possible. We further recommend that investment statements be reviewed periodically by an appropriate member of management so as to prevent future occurrences of this nature.

##### **Itemized Invoices**

During our examination, we noted certain cash disbursements that did not have detailed and itemized invoices supporting them. We recommend that itemized invoices be obtained from each vendor prior to payment for products or services rendered.

##### **Cash Account Reconciliation**

During our examination, we noted that cash balances in the accounting records were not reconciled to their monthly statement balances. We also noted that cash line items in the accounting records contained in some cases several separate bank account balances. We recommend that each bank account held have its own line item or set of line items in order to keep amounts held in different accounts separate. We also recommend that all cash accounts be reconciled to their underlying balances on a monthly basis.

##### **Use of City Owned Equipment**

During our examination, we noted that the city's policies and procedures, permit personal use of city owned equipment with certain approvals. The equipment borrowing policy is in conflict with the Michigan Constitution. We recommend that the equipment borrowing policy be eliminated and the city adopt a resolution that prohibits all personal use of city owned equipment.

# **CITY OF NEWAYGO, MICHIGAN**

## **Schedule of Findings and Questioned Costs**

**June 30, 2004**

---

### **SUMMARY OF AUDITORS' RESULTS**

1. An unqualified opinion was issued on the financial statements of the City of Newaygo, Michigan.
2. There were reportable conditions in internal control that were disclosed by the audit of the financial statements however, none of the reportable conditions were considered to be material weaknesses.
3. The audit did not disclose any noncompliance which was material to the financial statements of the City of Newaygo, Michigan.
4. There were no reportable conditions in internal control over the major program that were necessary to disclose.
5. An unqualified opinion was issued on compliance for the major programs.
6. The audit did not disclose any audit findings which were necessary to disclose under Circular A-133.
7. The major programs that were audited were the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities Program and the U.S. Department of Housing and Urban Development Community Development Block Grant / State's Program.
8. \$300,000 was the dollar threshold used to distinguish Type A and Type B programs.
9. The City of Newaygo, Michigan did not qualified as a low-risk auditee.

### **FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

1. There were no findings related to the financial statements which were required to be reported.

### **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

1. There were no findings and questioned costs for federal awards.